

CHONG KIN GROUP HOLDINGS LIMITED

創建集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1609

SHARE OFFER

Sponsor



Joint Bookrunners and Joint Lead Managers

六福金融
LUKFOOK FINANCIAL

 **SORRENTO**
SECURITIES LIMITED
擎天證券有限公司

IMPORTANT

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

CHONG KIN GROUP HOLDINGS LIMITED

創建集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Shares	:	191,200,000 Shares comprising 113,400,000 New Shares and 77,800,000 Sale Shares
Number of Public Offer Shares	:	19,120,000 Shares (subject to re-allocation)
Number of Placing Shares	:	172,080,000 Shares comprising 94,280,000 New Shares and 77,800,000 Sale Shares (subject to re-allocation)
Offer Price	:	Not more than HK\$0.70 per Offer Share and expected to be not less than HK\$0.66 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund on final pricing)
Nominal value	:	HK\$0.01 per Share
Stock code	:	1609

Sponsor



TC Capital International Limited

Joint Bookrunners and Joint Lead Managers



Luk Fook Securities (HK) Limited



Sorrento Securities Limited

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" 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, the Registrar of Companies in Hong Kong and the Registrar of Companies in the Cayman Islands take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) but in any event no later than Thursday, 6 October 2016. The Offer Price will be not more than HK\$0.70 per Offer Share and is expected to be not less than HK\$0.66 per Offer Share, unless otherwise announced.

The Joint Bookrunners may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares under the Share Offer at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of reduction in the indicative Offer Price range and/or the number of Offer Shares will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. Such notices will also be available at the website of the Stock Exchange at www.hkexnews.hk and website of our Company at www.chongkin.com.hk. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on or before Thursday, 6 October 2016, the Share Offer will not become unconditional and will lapse immediately.

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 headed "Risk Factors". Pursuant to the Public Offer Underwriting Agreement, the Joint Bookrunners have the right in certain circumstances to terminate the obligations of the Public Offer Underwriter(s) 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 headed "Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for Termination".

30 September 2016

EXPECTED TIMETABLE ⁽¹⁾

If there is any change in the following expected timetable, our Company will issue an announcement in Hong Kong to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.chongkin.com.hk.

Latest time to complete electronic applications under

HK eIPO White Form service through the designated website at www.hkeipo.hk ⁽²⁾ 11:30 a.m. on Wednesday, 5 October 2016

Application lists open ⁽³⁾ 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 ⁽⁴⁾ 12:00 noon on Wednesday, 5 October 2016

Latest time to complete payment of

HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on Wednesday, 5 October 2016

Application lists close ⁽³⁾ 12:00 noon on Wednesday, 5 October 2016

Expected Price Determination Date ⁽⁵⁾ Thursday, 6 October 2016

Announcement of the final Offer Price,

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 in South China Morning Post (in English)
and Hong Kong Economic Times (in Chinese) and on the
website of Stock Exchange at www.hkexnews.hk
and our Company at www.chongkin.com.hk on or before Friday, 14 October 2016

Announcement of the results of allocations

(with successful applicants' identification document numbers, where applicable)
to be available through a variety of channels including the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.chongkin.com.hk ⁽⁶⁾ as described in the section "How to Apply for the Public Offer Shares – 11. Publication of Results" on or before 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 Number/Business Registration Number" function from Friday, 14 October 2016

EXPECTED TIMETABLE ⁽¹⁾

Dispatch/collection of share certificates or deposit of Share certificates into CCASS ^(7 and 8) in respect of wholly or partially successful applications pursuant to the Public Offer on or before Friday, 14 October 2016

Dispatch of **HK eIPO White Form** e-Auto refund payment instructions and dispatch/collection of refund cheques ^(8, 9 and 10) in respect of wholly or partially unsuccessful applications under the Public Offer on or before 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 headed “Structure and Conditions of the Share Offer”.
2. You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. 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 headed “How to Apply for the Public Offer Shares – 10. 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 headed “Expected Timetable” may be affected. A press announcement will be made by our Company in such event.
4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** should refer to the section headed “How to Apply for the Public Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.
5. The Price Determination Date is expected to be on or around Thursday, 6 October 2016. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) by Thursday, 6 October 2016, the Share Offer will not proceed and will lapse.
6. None of the website of our Company or any of the information contained on the website of our Company forms part of this prospectus.
7. 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 headed “Underwriting – Underwriting Arrangements And Expenses – The 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.

EXPECTED TIMETABLE ⁽¹⁾

8. Applicants who have made an application using **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by the Application Form may collect their refund cheque(s) and/or share certificate(s) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Friday, 14 October 2016. Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations which eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with their chops. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity and/or (where applicable) authorisation documents acceptable and satisfactory to the Hong Kong Branch Share Registrar.

If an applicant is using a **YELLOW** Application Form or giving Electronic Application Instructions, the relevant arrangements are set out in the section headed "How to Apply for the Public Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

Uncollected share certificates and refund cheques will be dispatched by ordinary post, at the applicants' own risk, to the addresses specified on the relevant applications. Further information is set out in the sections headed "How to Apply for the Public Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies" and "How to Apply for the Public Offer Shares – 12. Circumstances in which You will not be Allocated Public Offer Shares" in this prospectus.

9. e-Auto refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications under 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.

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

10. Part of the Hong Kong identity card number/passport number of an applicant or, if there are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the relevant applicant may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. The banker of the relevant applicant may require verification of his/her Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

The above expected timetable is a summary only. You should refer to the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus 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 Joint Bookrunners, 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

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

OUR BUSINESS

We are a leading concrete services provider in Hong Kong in terms of the revenue generated by us in the concrete services industry in Hong Kong in 2015. According to the Euromonitor Report, we ranked first among concrete services providers in Hong Kong with a market share of approximately 23.3% in terms of the total revenue of the concrete services industry in Hong Kong in 2015. The total revenue of the concrete services industry accounted for approximately 0.4% of the total revenue of the overall construction industry in Hong Kong in 2014.

We have over 12 years of experience in undertaking concrete placing works in Hong Kong. Concrete placing generally refers to the process by which concrete is deposited into its final position that meets the specifications of strength, impermeability and durability as required in different construction works. We principally provide concrete placing services and other ancillary services (such as provision of sundry, cleaning services for construction sites and rental of concrete placing machinery) as a subcontractor for both (i) public sector projects, including building and infrastructure related projects, and (ii) private sector projects, which are mostly building related projects in Hong Kong.

Our direct customers are mostly main contractors of various types of building and infrastructure 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 private sector projects, representing approximately 71.0%, 86.0% and 71.0% of our revenue for the three years ended 31 March 2016, respectively. The following table sets out the revenue, gross profit and gross profit margin breakdown by the background of our customers:

	For the year ended 31 March								
	2014			2015			2016		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Private sector	132,791	23,681	17.8	235,380	39,551	16.8	268,544	47,884	17.8
Public sector	54,332	8,390	15.4	38,179	6,708	17.6	109,935	20,206	18.4
	<u>187,122</u>	<u>32,070</u>	<u>17.1</u>	<u>273,560</u>	<u>46,259</u>	<u>16.9</u>	<u>378,479</u>	<u>68,090</u>	<u>18.0</u>

SUMMARY

The following table sets out the revenue, gross profit and gross profit margin breakdown by the construction types:

	For the year ended 31 March								
	2014			2015			2016		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>HK\$'000</i>	<i>HK\$'000</i>	%	<i>HK\$'000</i>	<i>HK\$'000</i>	%	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Residential	81,184	10,009	12.3	136,829	17,202	12.6	152,276	23,340	15.3
Commercial	45,096	7,959	17.6	80,409	16,552	20.6	105,445	20,692	19.6
Industrial	40,362	9,890	24.5	11,345	3,401	30.0	10,984	2,277	20.7
Infrastructure	20,480	4,212	20.6	44,976	9,104	20.2	109,774	21,781	19.8
	<u>187,122</u>	<u>32,070</u>	<u>17.1</u>	<u>273,560</u>	<u>46,259</u>	<u>16.9</u>	<u>378,479</u>	<u>68,090</u>	<u>18.0</u>

The cost structure of our concrete placing and ancillary services is characterised by the staff costs, subcontracting charges and materials and supplies costs incurred in each project, and the amount of which contributed approximately 90.1% of our total cost of sales on average during the Track Record Period. For detailed information of our cost structure, please refer to the paragraph headed “Financial Information – Description of selected items in combined statements of profit or loss and other comprehensive income – Cost of sales” in this prospectus.

Our concrete placing 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. For details of our pricing strategy, please refer to the paragraph headed “Business – Customers – Pricing strategy” in this prospectus.

We possess our own machinery such as boom pumps, stationary pumps, truck-mounted concrete pumps and placing booms for performing concrete placing works and therefore are not materially reliant on third parties for machinery rental. We believe that our investment in machinery has placed us in a position to undertake concrete placing projects of different scales and complexity and to meet the expected growing demand of our customers. For further information regarding our machinery, please refer to the section headed “Business – Machinery” in this prospectus.

During the Track Record Period, we had completed 66 projects. As at 31 March 2016, we had 40 projects on hand (including projects in progress as well as projects that have been awarded to us as at 31 March 2016 but not yet commenced) with total outstanding contract sum of approximately HK\$607.7 million as at 31 March 2016.

After the Track Record Period and up to the Latest Practicable Date, we have been awarded 20 new contracts of total contract sum of approximately HK\$216.7 million, of which 6 contracts of approximately HK\$57.3 million were attributable to the projects on hand as at 31 March 2016 and therefore had been included in the total outstanding contract

SUMMARY

sum of such projects on hand as at 31 March 2016. The remaining 14 contracts of approximately HK\$159.3 million were attributable to 13 new projects in new location of the construction sites. After the Track Record Period and up to the Latest Practicable Date, we had further completed 11 projects, 1 of which were new project awarded in the same period.

Of the aggregate outstanding contract sum of approximately HK\$767.0 million for the (i) 40 on-going projects as at 31 March 2016 of approximately HK\$607.7 million and (ii) 13 new projects awarded after the Track Record Period and up to the Latest Practicable Date of approximately HK\$159.3 million, a total of approximately HK\$512.0 million, HK\$215.1 million and HK\$39.9 million are expected to be recognised for the year ending 31 March 2017, 2018 and 2019 respectively.

The following table sets out the movement of the number of our projects during the Track Record Period:

	For the year ended 31 March		
	2014	2015	2016
Projects brought forward from the last financial year	26	25	39
Add: new projects commenced in the financial year	20	27	33
Less: projects completed in the financial year	21	13	32
Projects in progress as at the year end date	25	39	40

The following table sets out the movement of our project value during the Track Record Period:

	For the year ended 31 March		
	2014	2015	2016
	<i>HK\$ million</i>		
Project value brought forward from the last financial year (A) ^{Note 1}	388.5	664.3	633.4
Add: value of the new projects which commenced in the financial year (B) ^{Note 2}	478.4	244.9	395.9
Less: value of the completed projects in the financial year (C = A + B – D)	202.6	275.8	421.6
Project value on hand as at the year end date (D) ^{Note 1}	664.3	633.4	607.7

SUMMARY

Notes

1. Such value represented the total adjusted contract sum of the on-going projects as at the beginning/ending of the financial year minus any revenue recognized prior to the financial year.
2. Such value represented the total adjusted contract sum of the projects which commenced in the financial year.

Further details of our projects are set out in the paragraph headed “Business – Our Projects” in this prospectus.

Customers

During the Track Record Period, our customers primarily include main contractors of various types of building and infrastructure 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 46.1%, 42.3% and 44.6%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 92.6%, 89.8% and 89.3%, respectively. Among our five largest customers (in terms of revenue) during the Track Record Period, we have been providing services to them for a period ranging from approximately 1 to 13 years. Our Directors consider that due to the nature of the concrete services industry, our customer base is relatively concentrated to construction contractors and other 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.

During the Track Record Period, all of our contracts were obtained through tendering. The following table sets out the number of contracts tendered, number of successfully tendered contracts and our success rate during the Track Record Period and from 1 April 2016 and up to the Latest Practicable Date:

	For the year ended 31 March			From 1 April 2016 to the Latest Practicable Date <i>(Note 2)</i>
	2014	2015	2016	
Number of contracts tendered	179	166	208	111
Number of successful contracts <i>(Note 1)</i>	36	35	36	15
Success rate (%)	20.1	21.1	17.3	13.5

Notes:

1. The number of successful contracts for a particular year/period corresponds to the year/period when we submit our tender and such figure is therefore different from the actual number of contracts awarded to our Group in the same year/period.
2. From 1 April 2016 to the Latest Practicable Date, there were 111 tender applications submitted by our Group. Out of the said 111 tender applications, we received 52 tender result and the tender results of the remaining 59 tender applications are yet to be known.

SUMMARY

Our tender success rate for the year ended 31 March 2016 was lower than the tender success rates for the two years ended 31 March 2015 principally because we were occupied with various concrete placing projects which took up most of our concrete placing machinery and labour resources during the year ended 31 March 2016. Nevertheless, the number of tenders submitted for the year ended 31 March 2016 is relatively larger than the number of tenders submitted for each of the two years ended 31 March 2015 given that during the year, our Group received invitation letters for tenders or letters to express interest for tender and in order to maintain our presence in the market and to remain on our customers' contractors list, we submitted certain tenders upon receipt of invitations from our customers regardless of our capacity. Under such circumstances, we took a relatively cautious approach in costs estimation by factoring a higher profit margin which may render our tender price less competitive than the tenders submitted by our competitors during the year ended 31 March 2016.

Suppliers

During the Track Record Period, our suppliers mainly include suppliers of goods such as machinery parts and consumables e.g. diesel fuels and other miscellaneous accessories (including personal protective equipment used by our on-site workers) and services such as machinery rental service, repair, maintenance and transportation service for our machinery and equipment. For the three years ended 31 March 2016, the percentage of our purchase from our largest supplier amounted to approximately 3.8%, 5.5% and 5.4% of our purchase, respectively, while the percentage of our total purchase from our five largest suppliers combined amounted to approximately 16.0%, 16.3% and 15.1% of our total purchase, respectively. We generally order the relevant 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 transaction amounts) during the Track Record Period, we have developed business relationship with them for a period ranging from approximately 1 year to 6 years.

Subcontractor

Subject to our capacity, resources level, types of concrete placing works, cost effectiveness, complexity of the projects and customers' requirements, we may subcontract part of our works to other third party subcontractors in a project. Our subcontractors mainly include services providers which provide concreting works, sundry works, cleaning works and finishing and screeding of concrete. In general, we determine the amount of subcontracting charges with reference to (i) 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. For the three years ended 31 March 2016, the percentage of our total purchase from our largest subcontractor amounted to approximately 20.8%, 19.2% and 21.0% of our total purchase, respectively, while the percentage of our purchase from our five largest subcontractors combined amounted to approximately 37.2%, 47.1% and 51.0% of our total purchase, respectively. We generally require the relevant subcontracting services on a project-by-project basis and do not enter into any long-term supply agreements with our subcontractors. Among our five

SUMMARY

largest subcontractors (in terms of total transaction amounts) during the Track Record Period, we have developed business relationship with them for a period ranging from approximately 1 year to 6 years.

COMPETITIVE LANDSCAPE

According to the Euromonitor Report, the concrete services industry in Hong Kong is fairly consolidated with the top five concrete services providers accounted for approximately 50.0% of the total market share by industry revenue in 2015. The concrete services industry in Hong Kong is very niche and consists of around 30 concrete service providers as of May 2016. In 2015, the revenue of the concrete services industry in Hong Kong accounted for approximately HK\$1,512.6 million. The total revenue of the concrete services industry in Hong Kong accounted for approximately 0.4% of the total revenue of the overall construction industry in Hong Kong in 2014. According to the Euromonitor Report, in 2015, our Group accounted for approximately 23.3% of the total revenue in the concrete services industry in Hong Kong and ranked first among the concrete services providers in Hong Kong. Our Directors consider that technical expertise in concrete placing, quality of work, stable relationship with customers, suppliers and subcontractors, possession of concrete placing machinery and project pricing are the determinants of competitiveness of a concrete services provider in Hong Kong, and our Group is well-positioned to capture the growing demand for concrete placing services 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:

- Leading concrete services provider in Hong Kong with established reputation and proven track record
- Experienced management team
- Possession of a variety of machinery and equipment
- Stable relationship with our key customers and suppliers
- Our commitment to maintaining safety standard, quality control and environmental protection

SUMMARY

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to solidify our leading market position as a concrete services provider and further increase our market share in the concrete services industry in Hong Kong. We intend to achieve our business objective by competing for more concrete placing projects through pursuing the following key strategies, details of which are set out in the sections headed “Business – Business strategies” and “Future plans and use of proceeds” in this prospectus:

- Acquisition of additional machinery and equipment
- Further strengthening our manpower

In carrying out the above business strategies, our Group shall pursue a prudent financial management to ensure our sustainable growth and capital efficiency.

SUMMARY OF FINANCIAL INFORMATION

The following tables present a summary of our financial information for each of the financial years or as at the date indicated and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

Highlight of our combined statements of profit or loss and other comprehensive income

	Year ended 31 March		
	2014	2015	2016
	HK\$’000	HK\$’000	HK\$’000
Revenue	187,122	273,560	378,479
Gross profit	32,070	46,259	68,090
Profit and total comprehensive income for the year attributable to owners of the Company	16,709	21,647	30,207

Highlight of our combined statements of financial position

	As at 31 March		
	2014	2015	2016
	HK\$’000	HK\$’000	HK\$’000
Non-current assets	33,134	47,742	37,581
Current assets	83,374	103,482	184,021
Non-current liabilities	18,986	17,017	9,371
Current liabilities	64,549	79,587	127,394
Total equity	32,973	54,620	84,837
Net current assets	18,825	23,895	56,627
Total assets less current liabilities	51,959	71,637	94,208

SUMMARY

Highlight of our combined statements of cash flows

	For the year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash generated from operating activities before changes in working capital and tax paid	32,057	39,175	53,988
Net cash generated from operating activities	23,188	55,440	50,611
Net cash used in investing activities	(1,364)	(2,851)	(10,141)
Net cash (used in)/generated from financing activities	(12,681)	(38,126)	1,931
Net increase in cash and cash equivalents	9,143	14,463	42,401
Cash and cash equivalent at beginning of the year	(1,939)	7,204	21,667
Cash and cash equivalent at end of the year	7,204	21,667	64,068

Summary of financial ratios

	For the year ended/as at 31 March		
	2014	2015	2016
	Return on total assets (<i>Note 1</i>)	14.3%	14.3%
Return on equity (<i>Note 2</i>)	50.7%	39.6%	35.6%
Current ratio (<i>Note 3</i>)	1.3	1.3	1.4
Quick ratio (<i>Note 4</i>)	1.3	1.3	1.4
Gearing ratio (<i>Note 5</i>)	185.7%	87.9%	65.7%
Debt to equity ratio (<i>Note 6</i>)	163.8%	48.3%	Net Cash
Interest coverage (<i>Note 7</i>)	11.0	16.3	33.6

Notes:

- Return on total assets is calculated by dividing net profit for the year by the total assets at the end of the respective year and expressed as a percentage.
- Return on equity is calculated by dividing net profit attributable to the owners of our Company for the year by the total equity attributable to the owners of our Company at the end of the respective year and expressed as a percentage.
- Current ratio is calculated by dividing the total current assets by the total current liabilities as at the year-end date.
- Quick ratio is calculated by dividing total current assets net of inventories by current liabilities as at the year-end date.
- Gearing ratio is calculated by dividing all debts by total equity at the year-end date and expressed as a percentage.
- Debt to equity ratio is calculated by dividing all debts net of cash and cash equivalents at the end of the year by total equity at the end of the respective year and expressed as a percentage.
- Interest coverage is calculated by the profit before interest and tax divided by the interest for the year.

SUMMARY

SHAREHOLDER INFORMATION

Immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), each of Mr. Cheung, Mr. Chan and Pioneer Investment will together control 75% of the issued share capital of our Company. For purpose of the Listing Rules, Mr. Cheung, Mr. Chan and Pioneer Investment are our Controlling Shareholders. Please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details.

THIS SHARE OFFER STATISTICS

	Based on the Offer Price of HK\$0.66 per Share	Based on the Offer Price of HK\$0.70 per Share
Market capitalisation of our Shares <i>(Note 1)</i>	HK\$504.8 million	HK\$535.4 million
Unaudited pro forma adjusted combined net tangible assets of our Group per Share <i>(Note 2)</i>	HK\$0.19	HK\$0.20

Notes:

1. The calculation of the market capitalisation of the our Shares is based on 764,800,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but does not take into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, assuming an Offer Price of HK\$0.68 per Share (being the mid-point of the Offer Price range of HK\$0.66 to HK\$0.70), will be approximately HK\$56.9 million. Our Directors presently intend to apply such net proceeds as follows:

Approximate amount (and percentage) of net proceeds	Utilised by year ending	Intended applications
HK\$23.0 million (or 40.4%)	31 March 2019	Acquisition of machinery comprising placing booms, boom pump and other parts to enhance our service capacity
HK\$6.4 million (or 11.2%)	31 March 2019	Expansion of our workforce both at office level and worksite level (including additional machinery operators to service our expanded fleet of concrete placing machinery)
HK\$11.0 million (or 19.3%)	31 March 2018	Repayment of part of our outstanding finance leases
HK\$11.0 million (or 19.3%)	31 March 2018	Repayment of part of our outstanding bank borrowings
HK\$5.5 million (or 9.7%)	N/A	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 the Listing.

We will not receive any of proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer.

SUMMARY

LISTING EXPENSES

Assuming an Offer Price of HK\$0.68 (being the mid-point of the indicated Offer Price range), the total amount of listing expenses in connection with the Share Offer is estimated to be approximately HK\$28.0 million, which will be borne by the Selling Shareholder and our Group as to approximately HK\$7.8 million and HK\$20.2 million, respectively. Of the aggregate listing expenses of approximately HK\$20.2 million borne by our Group, approximately HK\$1.1 million and HK\$7.7 million has been charged to profit or loss for the two years ended 31 March 2016 respectively. Our Group estimates that listing expenses of approximately HK\$2.6 million will be charged to our profit or loss for the year ending 31 March 2017. The balance of approximately HK\$8.8 million which is directly attributable to the issue of the Offer Shares is expected to be accounted for as a deduction from equity upon Listing. Expenses in relation to the Listing are non-recurring in nature.

DIVIDENDS

No member of our Group had declared any dividend during the Track Record Period and up to the Latest Practicable Date.

There is no expected dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

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:

- Our business relies on successful tenders and any failure of our Group to secure tender contracts would affect our operations and financial results
- 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

SUMMARY

- Error or inaccurate estimation of project duration and our costs when determining the tender price or increase in construction costs may adversely affect our profitability or result in substantial loss incurred by us
- Our performance depends on market conditions and trends in the concrete services industry and any deterioration in the prevailing market conditions in the concrete services industry may adversely affect our performance and financial conditions
- We operate in a relatively competitive environment

RECENT DEVELOPMENTS

We observe the recent delayed commencement of infrastructure projects in Hong Kong due to slow progress in the funding approval of the Finance Committee and its Public Works Subcommittee. Nevertheless, according to the Euromonitor Report, the current slow progress of funding approval is expected to be short term, and hence it shall not materially impact on the government's long term supporting policy on the development of public infrastructure. Taken into account the above and the growth drivers identified in the Euromonitor Report, it's expected that the concrete services industry is not facing a downturn but a growth at a CAGR of 10.5% from approximately HK\$1,512.6 million in 2015 to approximately HK\$2,492.4 million in 2020. Based on the foregoing and given our revenue attributable to public sector only represented approximately 29.0%, 14.0% and 29.0% of our total revenue respectively during the Track Record Period, our Directors are of the view that the recent delayed commencement of infrastructure projects in Hong Kong do not impose material impact on our Group in long term. As far as our Directors are aware, save as mentioned above, there has been no other changes in the general economic or market conditions or in the concrete services market in Hong Kong as a whole, which would have a material and adverse impact on our business operations or financial condition since 31 March 2016 and up to the date of this prospectus.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking concrete placing works in Hong Kong. We have been awarded 20 new contracts of total contract sum of approximately HK\$216.7 million, of which 6 contracts of approximately HK\$57.3 million were attributable to the projects on hand as at 31 March 2016 and therefore had been included in the total outstanding contract sum of such projects on hand as at 31 March 2016. The remaining 14 contracts of approximately HK\$159.3 million were attributable to 13 new projects in new location of the construction sites. After the Track Record Period and up to the Latest Practicable Date, we had further completed 11 projects, 1 of which were new project awarded in the same period. Please refer to the section headed "Business – Our projects" in this prospectus for further details.

In light of the pressing need for additional machinery, after the Track Record Period and up to the Latest Practicable Date, we have also ordered additional 8 placing booms, 6 truck-mounted concrete pumps and 1 boom pump. All the 8 new placing booms have been delivered as at the Latest Practicable Date while the 6 truck-mounted concrete pumps and 1 boom pump is expected to be delivered by end of October 2016. Our Directors consider that our Group is well-positioned to take on new concrete placing projects and believe that the Government's increasing public expenditure on infrastructure and robust demand for public and private property market would favour the demand for our services and growth of our Group.

SUMMARY

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.

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.

MATERIAL ADVERSE CHANGE

Save and except for the Listing expenses 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 NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there were 7 on-going litigation cases against our Group including employees' compensation claims, common law personal injury claims and criminal litigations. As at the Latest Practicable Date, based on the information provided by the solicitors appointed by the insurers and the damages that could be ascertained from the relevant court documents of the employees' compensation claims and common law personal injuries claims available to us, the aggregate amount of damages claimed by the plaintiffs in 2 on-going common law personal injuries claims would be approximately HK\$5.12 million plus interests and costs. On the 2 ongoing criminal litigations, as advised by our Legal Counsel, according to the cases presented by the prosecution in respect of the two charges and based on his experience in handling similar prosecution, a fair estimate of the likely penalty would be a fine of not above HK\$50,000 for each of the charge if we are found liable to the charges. Save for this, we are not in the position to assess the likely quantum of the remaining 5 ongoing claims and the amount of damages will be matter to be decided by the relevant courts. Furthermore, our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, they were not aware of any material and systemic non-compliance of our Group that required to be disclosed. For details of the litigation claims, please refer to the sections headed "Business – Litigation and potential claims" in this prospectus.

DEFINITIONS

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

“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
“Accountants’ Report”	the accountants’ report prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them to be used in connection with the Share Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 27 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
“Building Authority”	the Director of Buildings as defined in the Buildings Ordinance
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day” or “business day”	any day (other than 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
“CAGR”	compounded annual growth rate

DEFINITIONS

“Capitalisation Issue”	the issue of 651,390,000 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 27 September 2016” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Census and Statistics Department”	the Census and Statistics Department of the Government
“Chong Fung”	Chong Fung Investment Limited (創豐投資有限公司), a company incorporated in the BVI with limited liability on 26 May 2016, which became an indirect wholly-owned subsidiary of our Company
“Chong Kin BVI”	Chong Kin Group Limited (創建集團有限公司), a company incorporated in the BVI with limited liability on 25 May 2016, which became a direct wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented and/or otherwise modified from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, modified and supplemented from time to time

DEFINITIONS

“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”, “our”, “our Company”, “we” or “us”	Chong Kin Group Holdings Limited (創建集團(控股)有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Industry Council”	the Construction Industry Council, a statutory body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the case of our Company, refer to Pioneer Investment, Mr. Cheung and Mr. Chan
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 27 September 2016 and signed by our Controlling Shareholders in favour of our Company (on its own behalf and as trustee for each member of our Group), 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 non-competition deed entered into on 27 September 2016 and signed by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders”
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company

DEFINITIONS

“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department”	the Environmental Protection Department of the Government
“Euromonitor”	Euromonitor International Limited, an industry research consultant and is an independent third party
“Euromonitor Report”	the industry research report commissioned by us and prepared by Euromonitor on the concrete services industry in Hong Kong in which our Group operates
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Fung Sang”	Fung Sang Investment Limited (豐盛投資有限公司), a company incorporated in the BVI with limited liability on 26 May 2016, which became an indirect wholly-owned subsidiary of our Company
“Gazette”	the official publication of the Government for, among other things, statutory notices for public tenders
“GDP”	gross domestic product, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
“Global Sunny”	Global Sunny Engineering Limited (創昇工程有限公司), a company incorporated in Hong Kong with limited liability on 6 March 2007 and an indirect wholly-owned subsidiary of our Company
“Government”	the government of Hong Kong
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider

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
“HK eIPO White Form”	the application for the Public Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“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
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“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
“Inland Revenue Ordinance”	Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) as amended, modified and supplemented from time to time
“Joint Bookrunners” or “Joint Lead Managers”	Luk Fook Securities and Sorrento Securities

DEFINITIONS

“Kam Fung”	Kam Fung Engineering Limited (鑑豐工程有限公司), a company incorporated in Hong Kong with limited liability on 15 March 2000 and an indirect wholly-owned subsidiary of our Company
“Labour Department”	Labour Department of the Government
“Latest Practicable Date”	20 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”	listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about Monday, 17 October 2016, on which dealings in the Shares on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Luk Fook Securities”	Luk Fook Securities (HK) Limited, a licensed corporation for carrying on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO, acting as one of the Joint Bookrunners and the Joint Lead Managers for the Share Offer and an independent third party
“Main Board”	the Main Board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 27 September 2016 and as amended from time to time
“MPF scheme”	mandatory provident fund scheme
“Mr. Chan”	Mr. Chan Yiu Hung (陳耀雄先生), one of our Controlling Shareholders

DEFINITIONS

“Mr. Cheung”	Mr. Cheung Yuk Kei (張玉其先生), our chairman, our executive Director and one of our Controlling Shareholders. He is the father of Mr. Cheung Man Tim who is our executive Director and chief executive officer
“New Shares”	the 113,400,000 New Shares to be offered for subscription under the Share Offer
“NRMM”	non-road mobile machinery
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (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 for or purchased pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Pricing and Allocation” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“Pioneer Investment”	Pioneer Investment Limited (創業投資有限公司), a company incorporated in the BVI with limited liability on 20 May 2016, the entire issued share capital of which is owned as to 70% by Mr. Cheung and 30% by Mr. Chan
“Placing”	conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and other investors as set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 172,080,000 Shares (comprising 94,280,000 New Shares initially offered by our Company for subscription and 77,800,000 Sale Shares being initially offered by the Selling Shareholder for purchase) at the Offer Price under the Placing as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the Underwriter(s) of the Placing

DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or about Thursday, 6 October 2016 by, among others, our Company, the Selling Shareholder and the Placing Underwriter(s), 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
“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and us (for itself and on behalf of the Selling Shareholder) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on Thursday, 6 October 2016 on which the Price Determination Agreement is entered into
“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 upon application in Hong Kong dollars, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 19,120,000 New Shares initially offered for subscription at the Offer Price under the Public Offer, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer

DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 29 September 2016 relating to the Public Offer entered into between our Company, our executive Director, our Controlling Shareholders, the Selling Shareholder, the Sponsor, the Joint Bookrunners, 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
“Richway Investment”	Richway Investment Limited (創富投資有限公司), a company incorporated in the BVI with limited liability on 27 May 2016, which became an indirect wholly-owned subsidiary of our Company
“Richway Mechanical”	Richway Mechanical Engineering Co., Limited (創富機械工程有限公司), a company incorporated in Hong Kong with limited liability on 3 December 2008 and an indirect wholly-owned subsidiary of our Company
“Sale Shares”	77,800,000 existing Shares to be offered by the Selling Shareholder for purchase at the Offer Price under the Placing
“Selling Shareholder”	Pioneer Investment, one of the Controlling Shareholders which is expected to offer to sell the Sale Shares pursuant to the Placing
“Sang Fu”	Sang Fu Engineering Limited (盛富建築工程有限公司), a company incorporated in Hong Kong with limited liability on 4 August 2008 and an indirect wholly-owned subsidiary of our Company
“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

DEFINITIONS

“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 27 September 2016, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“SME”	small and medium-size enterprises
“Sorrento Securities”	Sorrento Securities Limited, a licensed corporation for carrying on Type 1 (dealing in securities) regulated activity as defined under the SFO, acting as one of the Joint Bookrunners and the Joint Lead Managers for the Share Offer and an independent third party
“Sponsor”	TC Capital International Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sole sponsor of the Listing and an independent third party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under 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”
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Track Record Period”	comprises the three financial years ended 31 March 2014, 2015 and 2016
“Trade Achiever”	Trade Achiever Investments Limited (業達投資有限公司), a company incorporated in the BVI with limited liability on 6 April 2016, which became an indirect wholly-owned subsidiary of our Company
“Underwriters”	the Public Offer Underwriter(s) and the Placing Underwriter(s), details of which are set out in the section headed “Underwriting”

DEFINITIONS

“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
“ 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
“m ³ ”	cubic metre(s)
“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
“concrete placing”	the process by which concrete is placed or deposited into its final position at a speed and in a condition that allows the concrete to be fully compacted for the purpose of ensuring the requirement of strength, impermeability and durability of harden concrete in the actual structure (including substructure, superstructure and retaining wall)
“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
“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

GLOSSARY OF TECHNICAL TERMS

“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management system
“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
“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
“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
“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

GLOSSARY OF TECHNICAL TERMS

“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 headed “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 Offer Shares. 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.

We believe that there are certain risks involved in our business and operations. They can be classified into (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to Hong Kong; (iv) risks relating to the Share Offer and our Shares; and (v) risks relating to this prospectus. You should consider our business and prospectus in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS

Our business relies on successful tenders 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. The duration for our concrete placing projects generally ranges from 8 months to 2 years. There is no right of first refusal upon expiry of such contracts and therefore, there is a risk that we may not succeed in tendering for the same customer's projects upon the expiry of our contract. Hence, there is no guarantee that our existing customers will provide us with new business opportunities or that we will secure new customers. Moreover, there is no assurance that (i) we would be invited to or are made aware of the tendering process; or (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) 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.

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 92.6%, 89.8% and 89.3% of

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our revenue of the same period, respectively. For the same period, our largest customer accounted for approximately 46.1%, 42.3% and 44.6% of our revenue, respectively. We expect that we might continue to rely on revenue derived from such customers.

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 concrete placing works are awarded through tendering and entered into on a project-by-project basis. Due to its non-recurring nature, 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.

Error or inaccurate estimation of project duration and our costs when determining the tender price or increase in construction costs may adversely affect our profitability or result in substantial loss incurred by us

Our concrete placing and ancillary service projects are awarded through a competitive tendering process. We determine a tender price by estimating our operating 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. Further, our operating costs may increase due to inflation of raw materials and labour costs. In case of contracts awarded to us with mistakes or errors in the submitted tender or if there is a substantial increase in raw material and labour costs, our profitability in a project might be adversely affected or 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 concrete placing projects undertaken by us. Examples of such factors include shortage and cost escalation of labour and materials, 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. During the Track Record Period, we recorded aggregate gross loss of approximately HK\$1,570,000 in 3 projects, of which each of them contributed less than HK\$5.0 million to our revenue

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during the Track Record Period. All the 3 loss-making projects were completed as at the Latest Practicable Date, of which 1 of the 3 projects was overall profit-making based on the latest unaudited management account of the Group.

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.

In addition, failure to complete our works according to specifications and quality standards may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the 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 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.

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

For the three years ended 31 March 2016, our revenue generated from public sector projects was approximately 29.0%, 14.0% and 29.0% of our total revenue, respectively. The delay in commencement and progress of public sector projects may adversely affect the demand for our concrete placing services and our results of operation. Delay in the commencement and progress of public projects may be caused by, among other things, political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents or entities. Any large-scale protests or occupation activity may also delay the construction works to be carried out in the affected areas. Our engagement in public sector projects depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where filibustering by the members of the Legislative Council has often led to delays in the passing of public works funding proposals in recent years.

As a result, there may be uncertainty on the commencement date and subsequent progress of the public sector projects awarded to us, which may adversely affect our operations and financial position including but not limited to our revenue for a given year, resource allocation and our analysis of the forecasted amount and timing of cash inflows and outflows in relation to our projects.

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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\$187.1 million, HK\$273.6 million and HK\$378.5 million, respectively; our gross profit amounted to approximately HK\$32.1 million, HK\$46.3 million and HK\$68.1 million, respectively (representing gross profit margin of approximately 17.1%, 16.9% and 18.0%, respectively); while our net profit amounted to approximately HK\$16.7 million, HK\$21.6 million and HK\$30.2 million, respectively (representing net profit margin of approximately 8.9%, 7.9% and 8.0%, 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 concrete placing works may fluctuate from project to project due to factors such as the complexity of the project, machinery and equipment employed and the amount of labour resources required. 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.

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 material disputes or litigation 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, our financial position may be adversely affected.

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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 the preceding month. A portion of contract value (which generally is subject to a maximum of 5% of the total contract 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 receivables of approximately HK\$23.4 million, HK\$26.7 million and HK\$36.8 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 concrete placing works rely on machinery and equipment. Market developments in and demand for different concrete placing techniques and different types of machinery and equipment may change continuously. If we fail to remain attentive to and invest in suitable machinery and 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 machinery and 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 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.

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Changes in existing environmental regulations and guidelines may impose additional cost and burden to us

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. Under this Regulation, all non-road mobile machinery (“NRMM”) (such as concrete pumps) are required to comply with the prescribed emission standards. For details of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, please refer to the paragraph headed “Laws and Regulations – B. Laws and regulations in relation to Environmental Protection – 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 37 regulated machines, all of which were exempted 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. Such Regulation and related 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. If there is any such change, our business operation and financial results may be materially and adversely affected.

Operating cash inflows and outflows in connection with our 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 our concrete placing works and ancillary services undertaken by us. Operating cash outflows to pay certain operating expenditures for our project may not align with progress payments to be received at the relevant periods. For each of the three years ended 31 March 2016, we recorded a net operating cash inflow of approximately HK\$23.2 million, HK\$55.4 million, and HK\$50.6 million, respectively.

Progress payments will be paid after our concrete placing works commence and are certified by our customers (or authorised persons employed by them). Accordingly, the operating cash inflow and outflow for a particular project may fluctuate as our 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.

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\$22.0 million, HK\$26.7 million and HK\$40.5 million, respectively. There is no assurance that we are able to monitor the

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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 and incur additional costs to us. 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.

Shortage of labour may affect our projects and our performance

Generally, our concrete placing works are labour intensive. There is no assurance that the supply of labour (especially experienced and skilled concreter and machining operator) will be sufficient during the forthcoming years and our subcontracting costs and direct labour costs may escalate. If there is a significant increase in the costs of labour and demand for experienced and skilled 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 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. For sensitively analyses illustrating the impact of fluctuations in staff costs and subcontracting charges, please refer to the section headed "Financial information – Factors affecting our financial conditions and results of operations – Direct labour costs and subcontracting charges" in this prospectus.

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If we are unable to retain our key management personnel, our business, operational results and financial condition may suffer

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.

Our profit may be adversely affected if there are changes in our material costs after tender.

During the Track Record Period, our material costs amounted to approximately HK\$13.6 million, HK\$13.6 million and HK\$17.7 million, respectively and representing approximately 8.8%, 6.0% and 5.7%, respectively of our total cost of sales during the same periods. We prepare our tender and quotation based on our estimated project costs (which mainly include, other than direct labour costs and subcontracting charges, the material costs of machinery parts and consumables e.g. diesel fuels and other miscellaneous accessories) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers. However, the actual material costs will not be finalised until we have entered into formal agreements with our suppliers after our award of a contract. We cannot assure you that there will not be any fluctuations in the material costs during such period in the future and the occurrence of which may materially and adversely affect our business, financial conditions and results of operations.

We may be affected by possible increases in insurance costs and reduction of insurance coverage by our insurers and certain risks involved in our business operation are generally not insured

For the three financial years ended 31 March 2016, the aggregate expenses of our insurances were approximately HK\$0.3 million, HK\$0.4 million and HK\$0.9 million, respectively. Our insurance policies may not cover all of our risks or payments and our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our properties or our business operations. We cannot control if there is a reduction or limitation of insurance coverage by insurers upon the expiry of our current policies. Any further increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage may materially and adversely affect our business operations and financial results. Further, there are certain types of losses for which insurance coverage is not generally available (such as risks in relation to 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 such a case, our business operations, financial condition and results of operations may be adversely affected.

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In addition, 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 undertaken 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.

Industrial actions or strikes may affect our business

Completion of typical construction works involve various trades, and each requires highly specialised labour. Industrial action of any one trade may disrupt the progress of our concrete placing 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 and subcontractors 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 financial position of our Group to the extent not fully recoverable from our and our customers’ insurance policies. They may also cause our relevant licence and/or certifications to be suspended or not renewed.

Furthermore, tenders for projects are generally evaluated by our potential customers by taking into account a number of factors, which include without limitation our safety 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.

Our Group has records of certain non-compliance of Hong Kong regulatory requirements which could lead to the imposition of fines

There have been instances of non-compliance with certain Hong Kong regulatory requirements by our Group. If the relevant Government authorities take enforcement actions against the relevant subsidiary of our Group and/or our Controlling Shareholders fail to

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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.

We are exposed to interest rate risks which is unhedged and may affect our cash flows

As at 31 March 2014, 2015 and 2016, our Group had bank loans and overdrafts amounting to approximately HK\$2.9 million, HK\$1.7 million and HK\$41.1 million, respectively, which bore floating interest with effective interest rates at 4.7% to 7.3%, 4.7% to 6.2% and 4.6% to 6.6% per annum respectively. Our Group has not hedged against interest rate risks. Should there be an increase in interest rate, our interest expenses may increase and our cash flows and profitability may be adversely affected.

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 equipment and strengthen 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 the construction sites, and we may 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 while we experience reduced revenue and profitability. Besides, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, Middle East respiratory syndrome, severe respiratory syndrome, Ebola virus disease and Zika virus disease) and natural disasters 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.

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RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our performance depends on market conditions and trends in the concrete services industry and any deterioration in the prevailing market conditions in the concrete services 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 concrete services industry in Hong Kong depend primarily upon the continued availability of concrete placing 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 infrastructure projects in Hong Kong, land supply policy, public housing policy, speed of approval of private residential projects, demand for the public and private property market and office building and the general conditions and prospects of the Hong Kong property market and Hong Kong economy. They may affect the availability of concrete placing projects from the public sector and the private sector. If there is any recurrence of a recession in Hong Kong, deflation or any changes in Hong Kong's currency policy that led to deterioration of demand for concrete placing works in Hong Kong, our operations and profitability could be adversely affected.

We operate in a relatively competitive environment

According to the Euromonitor Report, as at May 2016, there were around 30 concrete services providers in Hong Kong. New participants may enter the concrete services industry provided that they have the appropriate skills, local experience, necessary machinery and equipment and established relationship with main contractors. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

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

RISK FACTORS

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 took part 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

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

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

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

Any disposal by 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

RISK FACTORS

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 minority Shareholders is set out in Appendix III to this prospectus.

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

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

The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be on Monday, 17 October 2016. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

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

RISK FACTORS

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 Selling Shareholder, the Sponsor, the Joint Bookrunners 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 headed "Structure and Conditions of the Share Offer" and in the related Application Forms.

The Listing is sponsored by Sponsor and the Share Offer is lead managed by the Joint Lead Managers. The Public Offer is fully underwritten by the Public Offer Underwriter(s) and the Placing is expected to be fully underwritten by the Placing Underwriter(s).

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 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 SHARE REGISTRAR AND 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 Estera Trust (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 Underwriters, 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.

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 headed “Structure and Conditions of the Share Offer”.

PROCEDURES FOR APPLICATION FOR THE 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 10,000 Shares each. The stock code of the shares is 1609.

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. Cheung Yuk Kei (張玉其先生)	Flat D, 35/F, Tower 2 The Victoria Towers 188 Canton Road Tsim Sha Tsui Kowloon Hong Kong	Chinese
Mr. Cheung Man Tim (張萬添先生)	Flat D, 35/F, Tower 2 The Victoria Towers 188 Canton Road Tsim Sha Tsui Kowloon Hong Kong	Chinese
Mr. Fung Chi Chung (馮志忠先生)	Flat A, 42/F, Block 9 Bellagio 33 Castle Peak Road Sham Tseng New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Miu Hon Kit (繆漢傑先生)	Flat A, 16/F., Block 23 Ocean Vista, Laguna Verde 8 Laguna Verde Avenue Hung Hom Kowloon Hong Kong	Chinese
Mr. Leung Chi Wai (梁智維先生)	Flat LD, 18/F., Tower 2 Hemera, Lohas Park Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Seid Ka Him (薛家謙先生)	Flat 7, 5/F., Block G Fanling Centre Fanling New Territories Hong Kong	Chinese

For details of our Directors and 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	TC Capital International Limited Suite 1903-4, 19th Floor, Tower 6 The Gateway, Harbour City 9 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong <i>(A licensed corporation carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Joint Bookrunners, Joint Lead Managers and Underwriters	Luk Fook Securities (HK) Limited Units 502-6, 5/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong <i>(A licensed corporation carrying on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO)</i> Sorrento Securities Limited 11/F, The Wellington 198 Wellington Street, Central Hong Kong <i>(A licensed corporation carrying on Type 1 (dealing in securities) regulated activities as defined under the SFO)</i>
Legal adviser to our Company	<i>As to Hong Kong law</i> Adrian Yeung & Cheng Suite 1201-2A, 12/F Golden Centre 188 Des Voeux Road Central Hong Kong <i>As to Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal adviser to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters	<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

Reporting accountants	HLB Hodgson Impey Cheng Limited <i>Certified Public Accountants</i> 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Internal Control Consultant	CT Partners Consultants Limited Unit 1601A, 16th Floor, Tower 6 China Hong Kong City 33 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road Central Hong Kong
Selling Shareholder	Pioneer Investment Limited Jayla Place Wickhams Cay 1 Road Town Tortola British Virgin Islands

CORPORATE INFORMATION

Registered office in the Cayman Islands	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Office B, 31st Floor Billion Plaza II 10 Cheung Yue Street Cheung Sha Wan Kowloon Hong Kong
Company Secretary	Ms. Yu Pik So (<i>HKICPA</i>) Flat 2210, Lung Yiu House Kam Lung Court Ma On Shan New Territories Hong Kong
Compliance adviser	TC Capital International Limited Suite 1903-4, 19th Floor, Tower 6 The Gateway, Harbour City 9 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong <i>(A licensed corporation carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Authorised Representatives	Mr. Cheung Man Tim Flat D, 35/F, Tower 2 The Victoria Towers, 188 Canton Road Tsim Sha Tsui Kowloon Hong Kong Mr. Fung Chi Chung Flat A, 42/F, Block 9 Bellagio, 33 Castle Peak Road Sham Tseng New Territories Hong Kong
Members of Audit Committee	Mr. Miu Hon Kit (<i>Chairperson</i>) Mr. Leung Chi Wai Mr. Seid Ka Him

CORPORATE INFORMATION

Members of Remuneration Committee	Mr. Leung Chi Wai (<i>Chairperson</i>) Mr. Cheung Man Tim Mr. Seid Ka Him
Members of Nomination Committee	Mr. Cheung Yuk Kei (<i>Chairperson</i>) Mr. Leung Chi Wai Mr. Seid Ka Him
Cayman Islands Principal Share Registrar and Transfer Office	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Central, Hong Kong Hang Seng Bank Limited 3/F, 18 Carnarvon Road Tsim Sha Tsui, Kowloon, Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong
Company's website	http://www.chongkin.com.hk <i>(information on this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Euromonitor International Limited and reflects estimates of market conditions based publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this section has not been independently verified by our Group, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, agents, directors, officers, employees or representatives or any other party involved in the Share Offer and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We commissioned an independent professional market research company, Euromonitor, to assess the industry development trends, market demand and competitive landscape of concrete service industry in Hong Kong, at a fee of approximately US\$50,000 and our Directors consider that such fee reflects market rates. Established in 1972, Euromonitor is a global research organisation in strategy research for both consumer and industrial markets. With offices around the world and analysts in 80 countries, Euromonitor's products and services are held in high regard by the international business community and they have 5,000 active clients including 90% of the Fortune 500 companies.

The information contained in the Euromonitor Report is derived from the data gathered from different sources such as: (i) desk research; (ii) interview with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross-check the consistency of data and research estimates; (iii) published sources including national statistics and official sources such as the Census and Statistics Department of Hong Kong, specialist trade press and associations such as the Construction Industry Council, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor's own research database; and (iv) the projected data from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers. Nevertheless, we cannot assure you regarding the accuracy or completeness of the factors, forecasts and statistics in this prospectus obtained from sources such as government publications, market data providers and the Euromonitor Report.

INDUSTRY OVERVIEW

Forecasting bases and assumptions

Euromonitor has developed its forecast based on the following assumptions:

- The Hong Kong economy is expected to maintain steady growth over the forecast period.
- The Hong Kong social, economic, and political environment is expected to remain stable in the forecast period.
- There will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of concrete services in Hong Kong during the forecast period.
- Key market drivers such as increase in number of construction projects are expected to boost the development of the Hong Kong concrete services market.
- Key drivers including increased building and civil market is likely to drive the future growth of the Hong Kong concrete services market.

The research results may be affected by the accuracy of these assumptions and the choice of these parameters. The market research was completed in May 2016 and all statistics in the Euromonitor Report are based on information available at the time of reporting. Euromonitor's forecast data comes from analysis of historical development of the market, the economic environment and underlying market drivers, and is cross-checked against established industry data and trade interviews with industry experts.

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

MACROECONOMIC ENVIRONMENT IN HONG KONG

Hong Kong's economy grew by a CAGR of approximately 5.6% from 2011 to 2015. In 2015, Hong Kong's economy grew modestly by approximately 2.4% in real terms, a slowdown from approximately 2.6% GDP growth rate recorded in 2014.

A broad range of initiatives were announced in the 2016 Policy Address by the Government in January 2016 to stimulate and develop the economy, enhance education and improve the health care system in Hong Kong. In particular, a strong emphasis was placed on the participation and facilitation of the National 13th Five-Year Plan and the Belt and Road Initiative to create new opportunities for Hong Kong. The uncertainties and challenges of the global economy are also expected to exert a downward pressure on Hong Kong's economic growth over the next few years. As such, the Government forecasts the economy to grow by 1-2% for 2016. It is expected that the GDP in Hong Kong will grow consistently with the range from approximately 2.1% to approximately 3.0% annually from 2016 to 2020.

INDUSTRY OVERVIEW

MACRO ENVIRONMENT FOR THE CONSTRUCTION SECTOR IN HONG KONG

There are mainly five types of construction establishments in Hong Kong, namely (i) building construction; (ii) civil engineering; (iii) demolition and site preparation; (iv) building services installation and maintenance activities; and (v) building finishing and other specialised construction activities. The announcement of the “Ten Major Infrastructure Projects” in Hong Kong in 2007 have been driving the development of the entire construction sector in Hong Kong thereafter.

The gross value of construction performed in Hong Kong had been increased by a CAGR of approximately 15% from approximately HK\$179.8 billion in 2010 to approximately HK\$314.9 billion in 2014. The increase was mainly driven by the growth in the construction of buildings, and building services installation and maintenance activities, which represented an annual growth of approximately 28% and approximately 25% respectively.

OVERVIEW OF CONCRETE SERVICES INDUSTRY IN HONG KONG

The concrete services industry plays an important role in the construction industry in Hong Kong, as concrete is the most widely and commonly used material for projects. Therefore, the demand for concrete services has a positive correlation with the demand for construction projects. A wide range of construction work such as commercial buildings, stadiums, bridges, pump stations, car parking building blocks, residential buildings and houses, waste water plants and architectural applications requires concrete to be cast in place, as a part of the entire construction project. As a segment of construction industry, the industry revenue attributable to the concrete service industry accounted for approximately 0.4% of the revenue of the overall construction industry in 2014.

There is a clear segregation of duties between concrete suppliers and concrete services providers in Hong Kong. There are no companies in Hong Kong that carry on the business of both supplying concrete and providing concrete services. The main contractor is responsible for procuring concrete from concrete supplier and delivering the concrete by a concrete mixer truck to the construction site. After that, the concrete would be placed by the concrete services providers to the destined position requested by the main contractor. The concrete services provider would then use a concrete vibrator manually to ensure that trapped air and excess water are released and the concrete settles compactly in the formwork. The finishing of the concrete surface would also be performed. Lastly, the concrete services provider would also responsible for the curing and protection of finished concrete.

In general, the cost of using machines shall be lower than labour in concrete placing. Typically, boom pumps, stationary pumps, truck-mounted concrete pumps, placing booms and concrete vibrator are used by concrete services providers in performing their works and these machines involve an investment of a considerable amount. Small-scale concrete services providers normally rent the equipment from third parties instead of purchasing them to avoid large capital commitment. With regards to the technology and practice for the concrete services industry, it has remained consistent over the years with some minor improvements in the equipment field. For example, the service radius of the truck-mounted concrete pump is increasing, therefore minimising the manual manpower to place the

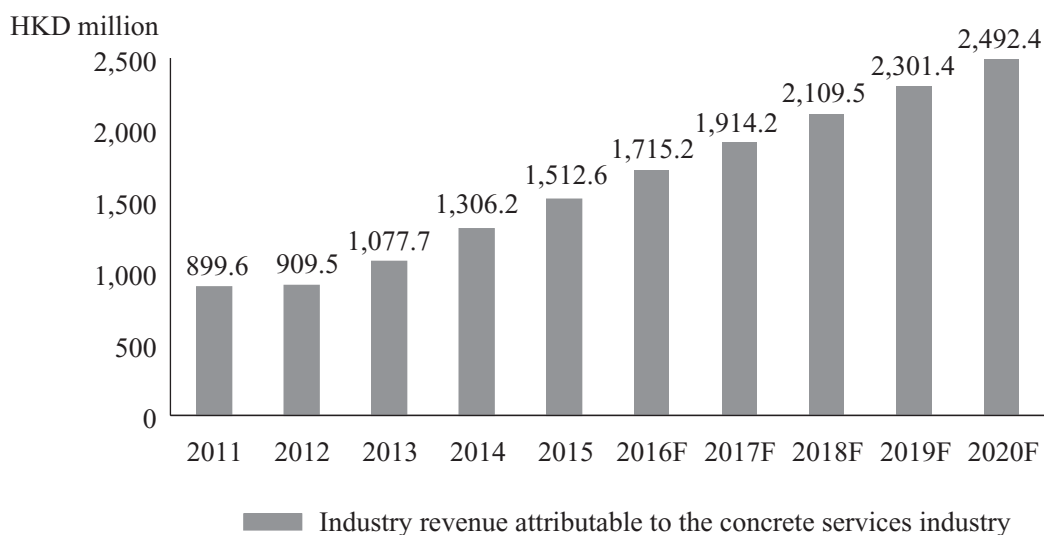
INDUSTRY OVERVIEW

concrete to the position of high level. In recent years, there has also been a growing practice of using higher strength concrete in Hong Kong, especially for high-rise buildings, and this requires concrete pumps with higher power output.

Growth of concrete services industry revenue at a CAGR of approximately 13.9% from 2011 to 2015

The revenue of the concrete services industry in Hong Kong increased from approximately HK\$ 899.6 million in 2011 to approximately HK\$ 1,512.6 million in 2015, representing a CAGR of approximately 13.9%. The healthy growth of the industry was mainly attributed to the increase in public infrastructure such as the “Ten Major Infrastructure Projects”. The growing demand from private sectors such as commercial and residential construction projects also drove the growth in market size.

Set out below is the historical and forecasted revenue attributable to the concrete services industry in Hong Kong between 2011 and 2020:



Source: Euromonitor from desk research and trade opinion survey with concrete services providers and main contractors

The concrete services industry is expected to grow at a CAGR of 10.5% from approximately HK\$1,512.6 million in 2015 to approximately HK\$2,492.4 million in 2020.

MARKET DRIVERS

The major market drivers for the concrete services industry in Hong Kong are highlighted below:

Strong momentum for public infrastructure

Government investment in infrastructure has been increasing steadily over the years. From 2009 to 2015, it increased from approximately HK\$48 billion to approximately HK\$70 billion. Such spending is anticipated to be maintained at a high level, providing the construction industry with opportunities.

INDUSTRY OVERVIEW

In particular, the “Ten Major Infrastructure Projects” announced in the Policy Address in 2007 will increase the connectivity between Hong Kong and the western Pearl River Delta, which will drive Hong Kong’s economy by creating demand in construction and related jobs.

In addition to the “Ten Major Infrastructure Projects”, the Government has commissioned other infrastructure work such as the construction of the third runway of the Hong Kong International Airport and Operation Building Bright and Revitalizing Historic Building. The Urban Renewal Authority (“URA”), which was established in May 2001 to undertake, encourage, promote and facilitate the regeneration of the older urban areas of Hong Kong has also induced demand for construction projects. The URA has several residential developments such as the one in Kai Tak, under the subsidised sale flat scheme units. They are also focused on redevelopment and rehabilitation of buildings in Hong Kong. In the 2016/2017 budget, the Government emphasised that despite the unpredictable investment environment, the investment in infrastructure is to remain strong. In the long run, the Government also intends to upgrade the tourism infrastructure, with Disneyland opening a new themed area in 2016/2017 and the first hotel in Ocean Park opening in 2017. There will also be tourism related projects in Kai Tak and Lantau which are currently in the planning stage. There are also some major projects that are targeted to be completed in the next few years such as the South Island Line and West Kowloon Cultural District. Given the continuous demand for public infrastructure, the projects will be able to provide the concrete services industry with a sustainable demand for the next couple of years and create more jobs for concrete service workers.

Robust demand for the public and private property market

The concrete services industry plays an important role in the construction industry in Hong Kong as concrete is the most widely and commonly used material for construction projects. Therefore, the demand for concrete services has a positive correlation with the outlook of the public and private property market.

According to the Census and Statistics Department, the Hong Kong population is expected to reach approximately 8.15 million by 2036. Therefore, the growth in population will drive the demand for residential housing in Hong Kong. From the 2016/2017 budget, the Government is forecasted to supply approximately 280,000 public housing units for the upcoming ten years (2016/2017 to 2025/2026). As for private housing, according to the 2016/2017 Land Sale Program of the Government, 29 residential sites which provided approximately 19,200 housing units as well as 8 sites of approximately 536,000 sq. m. of floor space for commercial or business use were made available for sale. Total land sale area has increased from approximately 59,700 sq. m. in fiscal year 2009/2010 to 233,200 sq. m. in fiscal year 2015/2016, at a CAGR of approximately 25.5%. The continual increase in land sale area and demand for residential housing and the steady approval of private and public residential projects by the Government could potentially lead to more concrete service projects and support the growth of the concrete services industry in Hong Kong.

INDUSTRY OVERVIEW

The demand for office buildings in Hong Kong continues to grow

Within commercial property, the office segment is expected to enjoy healthy growth. The office market in Hong Kong continues to benefit from the expansion of Chinese firms in Hong Kong and from generally strong corporate merger and acquisition activity in the market. There were 1,091 mainland companies with business operations in Hong Kong, which increased by approximately 14% from 2014. The demand for office would drive development of the office building constructions, which also need the concrete service.

THREATS

Insufficient experienced and skilled labour

In recent years, there has been an outflow of skilled labour to China for large-scale construction projects, hence there is considerable demand for experienced and skilled concrete services labour in Hong Kong. The situation is further exacerbated by an aging workforce and the decline in new labour. The stringent labour regulations and insufficiency of experienced and skilled labour may increase the delay of construction projects and hence hinder the growth of the concrete services market. The implementation of the “Designated workers for designated skills” regulation from April 2017 may also act as a barrier for new labour to enter into the construction industry as workers must be registered as Registered Skilled or Semi-Skilled workers of designated trade divisions to carry out construction works of those trade divisions on construction sites, unless they are under specified conditions. It is expected that the requirement and classification of skilled labour might have a cost implication for the concrete services companies as the wages of registered skilled labour may increase.

Replacement of environmentally friendly equipment will increase concrete services companies’ cost

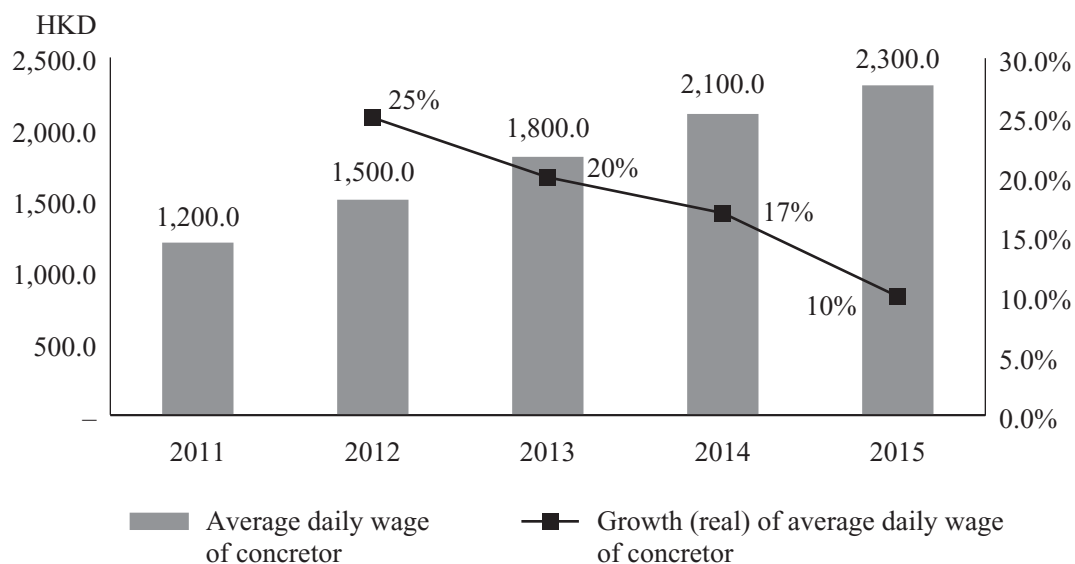
There is a growing concern about environmental protection and conservation. To improve air quality and protect public health, the Environmental Protection Department (“EPD”) has introduced The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (“Regulation”) which was implemented since 1 June 2015. Under this Regulation, all non-road mobile machinery (such as the concrete pump in the concrete services industry) are required to comply with the prescribed emission standards.

Since 1 September 2015, all machines sold or leased for use in Hong Kong must be approved or exempted with a proper label issued by EPD. Recently, as of 1 December 2015, only approved or exempted non-road mobile machinery with a proper label are allowed to be used in specified activities and locations including construction sites. Therefore, with the new Regulation, old machinery may not be able to comply with the new rules. Concrete services companies may have to bear additional cost to upgrade or replace their machinery.

INDUSTRY OVERVIEW

HISTORICAL KEY COSTS COMPONENTS IN CONCRETE SERVICES INDUSTRY

The chart below shows the average daily wage for workers engaged in concrete services industry between 2011 and 2015:



Source: Hong Kong Concretor Contractors Association Limited

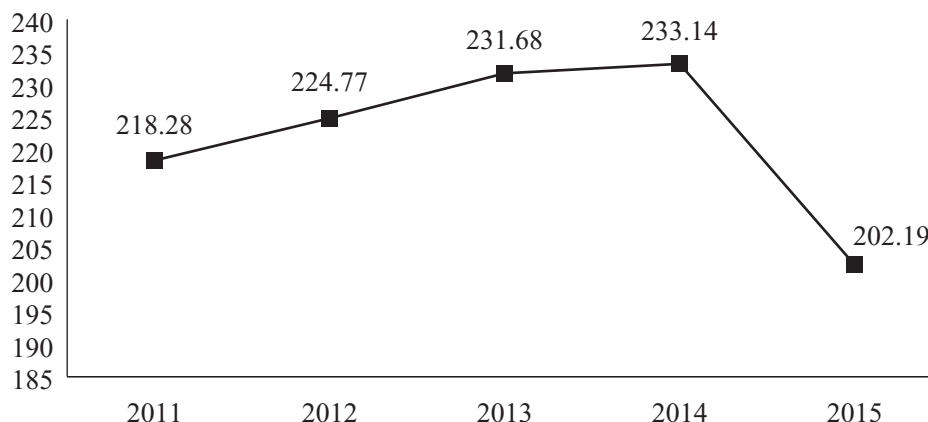
Note: The year period is from 1st June to 31st May of next year

The average daily wage for a concretor rose from HK\$1,200 in 2011 to HK\$2,300 in 2015, representing a growth of 91.7%. The significant rise in labour cost is due to the shortage of skilled and new labour while the industry is experiencing an ageing workforce. There is a low tendency for the young generation to enter the industry due to the demanding nature of the work. According to the Construction Industry Council, the proportion of workers over the age of 50 has increased from 36.6% in 2009 to 43.8% in 2015.

Fortunately, the pressure of the rising cost of labour is alleviated by the falling prices of diesel oil. Diesel oil is an essential cost component for operating all kinds of construction equipment.

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The chart below shows the index number of the costs of diesel oil used in public sector construction projects (April 2003 = 100) between 2011 and 2015:



Source: Census and Statistics Department of Hong Kong

Diesel oil is used in the robin engine which was used to operate concrete vibrator. The price of diesel has declined globally due to the increase in supply from major oil exporting countries. The cost index of diesel oil has dropped significantly from approximately 233.14 in 2014 to approximately 202.19 in 2015, a decline of 13%.

Unlike the fluctuation in cost of labour and diesel oil, the price of bend tubes and robin engines used in concrete service projects have remained stable over the past two years. The average price range of bend tubes and robin engines are HK\$100-300 and HK\$1,500-3,000 respectively in 2016.

COMPETITIVE LANDSCAPE OF THE CONCRETE SERVICES INDUSTRY IN HONG KONG

The concrete services industry in Hong Kong is fairly consolidated and consists of around 30 players as at May 2016, and most of them are small-medium enterprises incorporated in Hong Kong. The top five concrete services providers, all involved in providing concrete services which include placing/pouring concrete and finishing/smoothing liquid concrete, in Hong Kong accounted for approximately 50.0% of the total market share, while the remaining concrete services providers accounted for approximately 50.0% of the total market share of overall concrete services industry by revenue in Hong Kong in 2015.

INDUSTRY OVERVIEW

Set out below are the top five concrete services providers in terms of revenue receipts^(Note 1) in Hong Kong in 2015:

Company Name	2015 Share %
Our Group ^(Note 2)	23.3%
Company B	10.7%
Company C	6.9%
Company D	6.5%
Company E	2.6%
Others	<u>50.0%</u>
Total	<u><u>100.0%</u></u>

Source: Euromonitor estimates via a fieldwork program from trade interviews and desk research

Notes:

1. While audited data was available for some of the companies, they typically do not break down the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the ranking table, Euromonitor estimated the market ranking based on estimates provided by various trade sources (i.e. not just the companies themselves) while seeking a consensus on these estimates as much as possible. The ranking and shares were based on estimates of companies' total revenue in 2015.
2. The revenue of our Group is calculated by reference to the weighted average of its revenue for the two years ended 31 March 2016.

Our Group ranked first among concrete services providers in Hong Kong with a market share of approximately 23.3% in terms of the total revenue of the concrete services industry in Hong Kong in 2015. We believe this is attributed to a combination of factors including our Group's reputation, good quality of work, possession of a strong fleet of concrete placing machinery and stable relationship with customers.

INDUSTRY OVERVIEW

ENTRY BARRIERS

Building relationships with customers

The existing concrete services providers have already been working with the main contractors in the industry for a certain period. It would be hard for a new entrant to gain immediate trust from these main contractors. Besides, projects are more likely to be awarded to concrete services companies which they have cooperated with before. It is important for new entrants to build good relationships with real estate developers and main contractors to build their reputation in the industry so that they are able to receive referrals and recommendations, as well as invitations to tender.

Availability of skilled workers

Concrete services companies are highly reliant on the supply of experienced and skilled workers. Over the past few years, there has been a shortage of new labour and ageing workforce. As a result, the cost of hiring skilled workers has been escalating, placing greater pressure on the business. New entrant will find it difficult to compete in the market if they cannot hire competent workers. The situation will be further exacerbated with the implementation of the “designated workers for designated skills” regulation from April 2017.

Machines required for concrete work

Machines are generally required for concrete placing works. Most concrete services companies normally rent the machines from third parties instead of purchasing them to avoid large capital commitment. New entrants would not conduct concrete placing work effectively if they did not possess their own machine and heavily rely on rental from third parties.

LAWS AND REGULATIONS

This section sets forth a summary of the major laws and regulations applicable to our business and operations in Hong Kong. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

A. LAWS AND REGULATIONS IN RELATION TO THE 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 willfully 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 employers 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

LAWS AND REGULATIONS

employee who suffers incapacity or dies arising from an occupational diseases 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 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 and on a summary conviction to a fine of HK\$100,000 and to imprisonment for one year.

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 wage 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 do 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.

LAWS AND REGULATIONS

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

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

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

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by 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 section 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 working 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), 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 catering industries. Casual employees do not have to switch schemes when they change

LAWS AND REGULATIONS

jobs within the same industry, so long as their previous the new employers and registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

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

Pursuant to the Dangerous Good 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 licenses.

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

Under section 6 of the Dangerous Goods Ordinance, no person shall store any dangerous goods in excess of exempted quantity in any premises or places without a licenses issued by the director of the Fire Services Department. Pursuant to Regulation 77 of the Dangerous Goods (General) Regulations, every application for any licenses 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.

B. LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for 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 licenses 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.

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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. 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 officers appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such “notifiable work” includes site information, 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.

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. Our Directors confirmed that such regulated machines also include site equipment such as generators, hydraulic truck crane, vibrating rollers and aerial working platforms which are subject to the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

Unless exempted, NRMMs which are regulated under this provision are required to comply with 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, 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 location without exemption of the Environmental Protection Department’s approval is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

LAWS AND REGULATIONS

As at the Latest Practicable Date, our Group has 37 regulated machines, all of which were exempted 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 the exempted machines are as follow:

Type of exempted machines	Quantity	Carrying Value as at 31 March 2016 HK\$'000
Boom pumps	16	22,673
Stationary pumps	7	0 ^(Note)
Truck-mounted concrete pumps	13	5,610
Other	1	383

Note: The carrying value of the 7 units of exempted stationary pumps is zero as they have an average age of 9 years and their values have been fully depreciated.

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.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 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

LAWS AND REGULATIONS

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 effluent discharged licenses. The licenses specify 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.

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 Wasted 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.

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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 license 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 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.

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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 Service 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.

C. CONTRACTOR LICENSING REGIME AND OPERATION

The Subcontractor Registration Scheme

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.

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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 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) listing on one or more government registration schemes operated by policy bureaus 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

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for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

A registered subcontractor shall apply for renewal within three months before the expire 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. willful 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;

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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;
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' wage 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.

D. 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 licenses 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.

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

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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.

The Directors are of the view that only the first conduct rule and the second conduct rule of the Competition Ordinance may apply on our Group, the merger rule of the Competition Ordinance does not.

The first conduct rule seeks to prohibit arrangements between market participants which prevent, restrict or distort competition in Hong Kong by, for example, colluding on key parameters of competitions on price, output or how they bid. Examples of conduct which may contravene the first conduct rule include cartels, exchange of information, joint ventures.

The second conduct rule targets businesses with a substantial degree of market power in abusing the power with a view to protecting or increasing their position of power and profits. Conducts that may, in particular, constitute such an abuse if it involves (a) predatory behavior towards competitors; or (b) limiting production, markets or technical development to the prejudice of consumers.

Our Group secures the projects from main contractors through tenders which are submitted upon its own commercial decisions. During the Track Record Period, the tenders were awarded solely to our Group as a subcontractor and we did not participate in any joint venture or cartel with our competitors and hence, no sensitive information is exchanged. Although our Group is a leading concrete services provider in terms of the total revenue receipts of the concrete services industry in Hong Kong in 2015 with a market share of approximately 23.3%, the Directors consider such market share is not, and will not, be regarded as having substantial market power even if our Group successfully expands our market share as, due to the competitive tender process, our Group does not have the ability profitably to charge a higher price than other service providers or restrict its output or quality below competitive levels for a sustained period of time, which companies in a strong market position do.

According to the Euromonitor Report, the concrete services industry is not an industry of highly regulated by the Hong Kong government. There is no restriction on the number of operator or license in the market. The entry barriers in the concrete services industry are moderate due to building relationships with customers and the availability of skilled workers and equipment. Hence, the expansion of our Group's business will not result in imposing barriers to entry or expansion to other services providers and market concentration, so there will be no implication of the Competition Ordinance even if our Group successfully expands our market share.

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

Overview

Our Company was incorporated in the Cayman Islands with limited liability on 31 May 2016. Our Company completed the Reorganisation on 27 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.

Our Group was founded in March 2000 through the establishment of Kam Fung by Mr. Chan, one of our Controlling Shareholders, and the elder brother of Mr. Chan. Kam Fung was set up principally engaging in concrete placing works and ancillary services for building and infrastructure projects in Hong Kong. On 9 December 2002, Mr. Cheung became a shareholder of Kam Fung through the transfer of share in Kam Fung by Mr. Chan’s elder brother of his share to Mr. Cheung. The source of initial funding for the operation of Kam Fung was primarily the personal resources of Mr. Cheung and Mr. Chan. Mr. Cheung has been the prime mover of our Group in its business operation, whereas Mr. Chan is an investor of our Group. Please refer to the section headed “Directors and senior management” of this prospectus for further details on Mr. Cheung’s experience in the concrete services industry in Hong Kong.

Our Group principally provides concrete placing services and other ancillary services (such as provision of sundry, cleaning services for construction sites and rental of concrete placing machinery) as a subcontractor in Hong Kong. We operate our business through our four operating subsidiaries, namely Kam Fung, Sang Fu, Global Sunny and Richway Mechanical, each of which is an indirectly wholly-owned subsidiary of our Company. Chong Kin BVI is the intermediate holding company of our Group. Fung Sang, Trade Achiever, Chong Fung and Richway Investment are the respective holding companies of our operating subsidiaries.

Major developments and milestones

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

Date	Event
2000	Kam Fung was incorporated in Hong Kong in March 2000.
2003	Kam Fung secured its first concrete placing project at phase 7, MTR Kowloon Station, Hong Kong in December 2003 which placed a cornerstone for Kam Fung’s business development in future.
2007	Global Sunny was incorporated in Hong Kong in March 2007.

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- 2008
- Kam Fung was first registered under the Subcontractor Registration Scheme of the Construction Industry Council in April 2008 which demonstrates its fulfillment of the requirements of specialised skills and strong professional ethics.
- Sang Fu was incorporated in Hong Kong in August 2008.
- Richway Mechanical was incorporated in Hong Kong in December 2008.
- 2010
- The first time Kam Fung purchased two sets of laser levelling technology machines, which provide self-leveling functions to enhance our efficiency in providing our concrete placing on levelled grounds.
- 2012
- Sang Fu secured its first concrete placing project with a contract value over HK\$75 million in a railway project at West Kowloon Terminus Station North, Hong Kong.
- 2014
- The first time Kam Fung purchased a boom pump with work radius of 63 metres for concrete placing services, with which the concrete can be placed more efficiently to a wider area and multi-storey level of buildings and hence shorten the required time and allowed less labour required for concrete placing works.
- 2015
- Our quality management system was certified to be in compliance with the standard as required under ISO 9001:2008 since May 2015.
- Our occupational health and safety management system was certified to be in compliance with the standard as required under OHSAS 18001:2007 since May 2015.
- 2016
- Our environmental management system was certified to be in compliance with the standard required under ISO 14001:2015 in June 2016.
- Kam Fung was awarded the “Caring Company Logo” for the year of 2015 to 2016 by the Hong Kong Council of Social Service in May 2016 in recognition of Kam Fung’s commitment in caring for the community, employees and environment.
- Our Company was incorporated on 31 May 2016 as part of the Reorganisation for the purpose of the Listing.

HISTORY AND DEVELOPMENT

Our Group structure and corporate history

The following describes the corporate history of Kam Fung, Global Sunny, Sang Fu, and Richway Mechanical, our operating subsidiaries.

Kam Fung

Kam Fung was incorporated in Hong Kong with limited liability on 15 March 2000, with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was subscribed for by each of Mr. Chan and Mr. Chan's elder brother at par on the same date.

Name of shareholder	Shareholding %
Mr. Chan	50%
Mr. Chan's elder brother	<u>50%</u>
	<u><u>100%</u></u>

On 9 December 2002, 1 share in Kam Fung was transferred by Mr. Chan's elder brother to Mr. Cheung at a consideration of HK\$1.00 as Mr. Chan's elder brother had involved in other business engagements and could not devote time and attention on the business of Kam Fung. Besides, Kam Fung recorded net liabilities of approximately HK\$1.3 million as at 31 March 2002. The consideration was equivalent to the nominal value of the share of Kam Fung under the share transfer and it fairly represented the value of 50% interests of Mr. Chan's elder brother in Kam Fung at the time. The aforesaid share transfer was completed and the consideration was settled by Mr. Cheung to Mr. Chan's elder brother by way of cash on 9 December 2002. Upon the said transfer, it was agreed between Mr. Cheung and Mr. Chan that the shareholdings between Mr. Cheung and Mr. Chan would be changed to that of 70% by Mr. Cheung and 30% by Mr. Chan. The change in shareholdings of Kam Fung was reached after the arm-length negotiation between Mr. Cheung and Mr. Chan and have taken into account (a) the solid experience of Mr. Cheung in concrete placing business; (b) Mr. Cheung would have to daily manage and operate the concrete placing business of Kam Fung; and (c) Mr. Chan would be a passive investor and a non-executive director of Kam Fung. The shareholdings of Mr. Cheung and Mr. Chan after the aforesaid transfer and as evidenced by a declaration of trust by Mr. Cheung dated 23 May 2016 and a declaration of trust by Mr. Chan dated 23 May 2016 were as follows:

Name of shareholder	Shareholding %
Mr. Cheung	70%
Mr. Chan	<u>30%</u>
	<u><u>100%</u></u>

HISTORY AND DEVELOPMENT

Pursuant to the declaration of trust by Mr. Cheung dated 23 May 2016, the 1 share held by Mr. Cheung in Kam Fung was transferred to Mr. Cheung and Mr. Chan jointly as co-owners on 9 December 2002.

Pursuant to the declaration of trust by Mr. Chan dated 23 May 2016, the 1 share held by Mr. Chan in Kam Fung was transferred to Mr. Cheung and Mr. Chan jointly as co-owners on 9 December 2002.

On 1 April 2015, 6,999 shares and 2,999 shares in Kam Fung were allotted and issued to Mr. Cheung and Mr. Chan, respectively at the consideration of HK\$1.00 per share, which have been fully paid.

The shareholdings of Kam Fung after the aforesaid transfer and allotment of shares are as follows:

Name of shareholder	Shareholding %
Mr. Cheung	70%
Mr. Chan	<u>30%</u>
	<u><u>100%</u></u>

Global Sunny

On 6 March 2007, Global Sunny was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 1 fully-paid share of Global Sunny was subscribed by and issued to the subscriber, being a secretariat services provider, which was subsequently acquired by and transferred to an independent third party, on behalf of Mr. Cheung at a consideration HK\$1.00 on 18 May 2007. The consideration was arrived at after arm's length negotiations between the parties. The aforesaid share transfer was completed and the consideration was settled by Mr. Cheung by way of cash on 18 May 2007.

On 3 October 2008, 1 share in Global Sunny was allotted and issued to Mr. Cheung at the consideration of HK\$1.00, which has been fully paid.

On 23 October 2008, the 1 share held by the aforesaid independent third party was transferred to Mr. Cheung at a nominal consideration of HK\$1.00. The consideration was arrived at after taking into account the nominal value of the share.

HISTORY AND DEVELOPMENT

After the transfer, the shareholdings of Global Sunny was agreed between Mr. Cheung and Mr. Chan as evidenced by a declaration of trust by Mr. Cheung dated 23 May 2016 as follows:

Name of shareholder	Shareholding %
Mr. Cheung	70%
Mr. Chan	<u>30%</u>
	<u><u>100%</u></u>

Pursuant to the declaration of trust by Mr. Cheung dated 23 May 2016, the 2 shares held by Mr. Cheung in Global Sunny were transferred to Mr. Cheung and Mr. Chan jointly as co-owners on 23 October 2008.

The shareholdings of Global Sunny after the aforesaid transfer and allotment of shares are as follows:

Name of shareholder	Shareholding %
Mr. Cheung	70%
Mr. Chan	<u>30%</u>
	<u><u>100%</u></u>

On 23 May 2016, Global Sunny further allotted and issued 68 shares and 30 shares to Mr. Cheung and Mr. Chan respectively. As a result, Global Sunny was held as to 70% by Mr. Cheung and as to 30% by Mr. Chan.

Sang Fu

On 4 August 2008, Sang Fu was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 1 fully paid up share was subscribed by and issued to an independent third party, on behalf of Mr. Cheung.

On 27 October 2008, 1 fully-paid share of Sang Fu was allotted and issued to the aforesaid independent third party on behalf of Mr. Cheung at the consideration of HK\$1.00, which has been fully paid.

On 3 August 2011, the 2 fully paid up shares in Sang Fu held by the aforesaid independent third party were transferred to Mr. Cheung at a nominal consideration of HK\$1.00 each. The consideration was arrived at after taking into account the nominal value of the share.

HISTORY AND DEVELOPMENT

After the transfer, the shareholdings of Sang Fu was agreed between Mr. Cheung and Mr. Chan as evidenced by a declaration of trust by Mr. Cheung dated 23 May 2016 as follows:

Name of shareholder	Shareholding %
Mr. Cheung	70%
Mr. Chan	<u>30%</u>
	<u><u>100%</u></u>

Pursuant to the declaration of trust by Mr. Cheung dated 23 May 2016, the 2 shares held by Mr. Cheung in Sang Fu were transferred to Mr. Cheung and Mr. Chan jointly as co-owners on 3 August 2011.

The shareholdings of Sang Fu after the aforesaid transfers and allotment are as follows:

Name of shareholders	Shareholding %
Mr. Cheung	70%
Mr. Chan	<u>30%</u>
	<u><u>100%</u></u>

On 23 May 2016, Sang Fu further allotted and issued 68 shares and 30 shares to Mr. Cheung and Mr. Chan respectively. As a result, Sang Fu was held as to 70% by Mr. Cheung and as to 30% by Mr. Chan.

Richway Mechanical

On 3 December 2008, Richway Mechanical was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 3 shares were subscribed by and issued to Mr. Cheung.

The shareholdings of Richway Mechanical was agreed between Mr. Cheung and Mr. Chan as evidenced by a declaration of trust by Mr. Cheung dated 23 May 2016 as follows:

Name of shareholder	Shareholding %
Mr. Cheung	70%
Mr. Chan	<u>30%</u>
	<u><u>100%</u></u>

HISTORY AND DEVELOPMENT

Pursuant to the declaration of trust by Mr. Cheung dated 23 May 2016, the 3 shares held by Mr. Cheung in Richway Mechanical was transferred to Mr. Cheung and Mr. Chan jointly as co-owners on 3 December 2008.

The shareholdings of Sang Fu after the aforesaid transfer are as follows:

Name of shareholders	Shareholding %
Mr. Cheung	70%
Mr. Chan	<u>30%</u>
	<u><u>100%</u></u>

On 23 May 2016, Richway Mechanical further allotted and issued 67 shares and 30 shares to Mr. Cheung and Mr. Chan respectively. As a result, Richway Mechanical was held as to 70% by Mr. Cheung and as to 30% by Mr. Chan.

REORGANISATION

As part of reorganisation in preparation for the Listing, the following major steps of the companies were taken:

- (a) On 20 May 2016, Pioneer Investment was incorporated in the BVI with its entire issued share capital owned as to 70% by Mr. Cheung and 30% by Mr. Chan;
- (b) On 25 May 2016, Chong Kin BVI was incorporated in the BVI with its entire issued share capital of 100% owned by Pioneer Investment;
- (c) On 31 May 2016, our Company was incorporated in the Cayman Islands with its entire issued share capital of 100% owned by Pioneer Investment;
- (d) On 26 May 2016, Fung Sang was incorporated in the BVI with its entire issued share capital of 100% owned by Chong Kin BVI;
- (e) On 6 April 2016, Trade Achiever was incorporated in the BVI with its entire issued share capital of 100% owned by Chong Kin BVI;
- (f) On 26 May 2016, Chong Fung was incorporated in the BVI with its entire issued share capital of 100% owned by Chong Kin BVI;
- (g) On 27 May 2016, Richway Investment was incorporated in the BVI with its entire issued share capital of 100% owned by Chong Kin BVI;

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- (h) On 7 June 2016, the following transfers of shares took place:
- (i) Pioneer Investment, through Fung Sang, acquired 7,000 shares and 3,000 shares of Kam Fung from Mr. Cheung and Mr. Chan in the consideration of the issuance and allotment of 7 shares and 3 shares of Pioneer Investment to Mr. Cheung and Mr. Chan respectively. The aforesaid share transfers and the allotment of shares of Pioneer Investment were completed. Following completion of the aforesaid share transfers, Kam Fung became a direct wholly-owned subsidiary of Fung Sang.
 - (ii) Pioneer Investment, through Trade Achiever, acquired 70 shares and 30 shares of Sang Fu from Mr. Cheung and Mr. Chan in the consideration of the issuance and allotment of 7 shares and 3 shares of Pioneer Investment to Mr. Cheung and Mr. Chan respectively. The aforesaid share transfers and the allotment of shares of Pioneer Investment were completed. Following completion of the aforesaid share transfers, Sang Fu became a direct wholly-owned subsidiary of Trade Achiever.
 - (iii) Pioneer Investment, through Chong Fung acquired 70 shares and 30 shares of Global Sunny from Mr. Cheung and Mr. Chan in consideration of the issuance and allotment of 7 shares and 3 shares of Pioneer Investment to Mr. Cheung and Mr. Chan respectively. The aforesaid share transfers and the issuance and allotment of shares of Pioneer Investment was completed. Following completion of the aforesaid share transfers, Global Sunny became a direct wholly-owned subsidiary of Chong Fung;
 - (iv) Pioneer Investment, through Richway Investment, acquired 70 shares and 30 shares of Richway Mechanical from Mr. Cheung and Mr. Chan in consideration of the issuance and allotment of 7 shares and 3 shares of Pioneer Investment to Mr. Cheung and Mr. Chan respectively. The aforesaid share transfers and the allotment of shares of Pioneer Investment was completed. Following completion of the aforesaid share transfers, Richway Mechanical became a direct wholly-owned subsidiary of Richway Investment.
- (i) After the aforesaid share transfers:
- (i) each of Kam Fung, Sang Fu, Global Sunny and Richway Mechanical became a wholly-owned subsidiary of Fung Sang, Trade Achiever, Chong Fung and Richway Investment, respectively;
 - (ii) each of Kam Fung, Sang Fu, Global Sunny and Richway Mechanical became an indirect wholly-owned subsidiary of Pioneer Investment and Chong Kin BVI; and
 - (iii) the total number of issued shares of Pioneer Investment was 50, of which 35 shares were owned by Mr. Cheung and 15 shares were owned by Mr. Chan.

HISTORY AND DEVELOPMENT

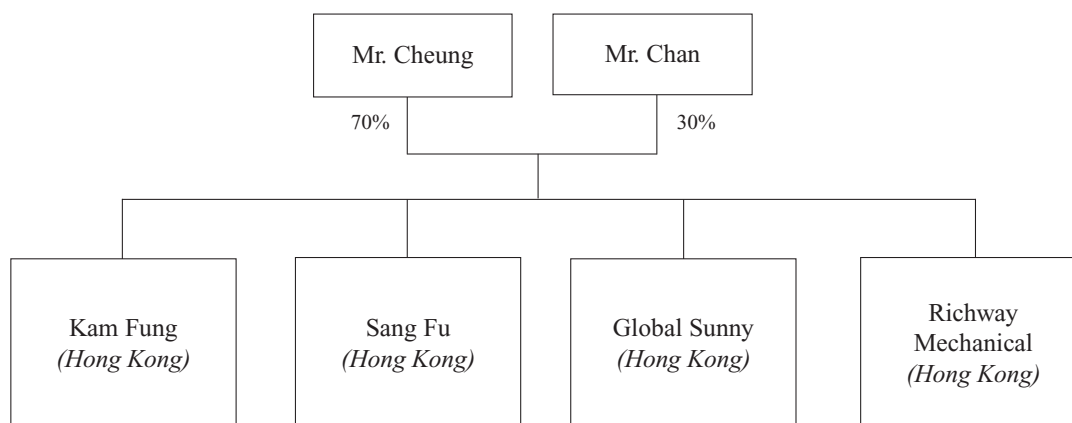
- (j) On 27 September 2016, our Company entered into a sale and purchase agreement with Pioneer Investment, pursuant to which our Company acquired 1 share being the entire share capital of Chong Kin BVI from Pioneer Investment and as consideration for the acquisition, 1 share of the Company was paid together with further 9,999 shares of the Company were issued and allotted and credited as fully paid to Pioneer Investment.
- (k) The aforesaid share transfer was completed on 27 September 2016, after which our Company held one share in Chong Kin BVI, being the entire issued share capital of Chong Kin BVI, and Chong Kin BVI became a wholly-owned subsidiary of our Company.

Our company completed the Reorganisation on 27 September 2016 in preparation for the Listing, pursuant to which our Company become the ultimate holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “A. Further Information about our Company – 4. Corporate Reorganisation” in Appendix IV to this prospectus.

Mr. Chan is not appointed as a director or a senior management of our Company though he is a Controlling Shareholder of our Company given he has not been involved in the active operation and management of our Group. As Mr. Chan has his own business in Kam Kee Steel’s Works Limited as set out in the section headed “Relationship with our Controlling Shareholders”, he cannot devote considerable time and attention on the business of our Company.

OUR CORPORATE STRUCTURE

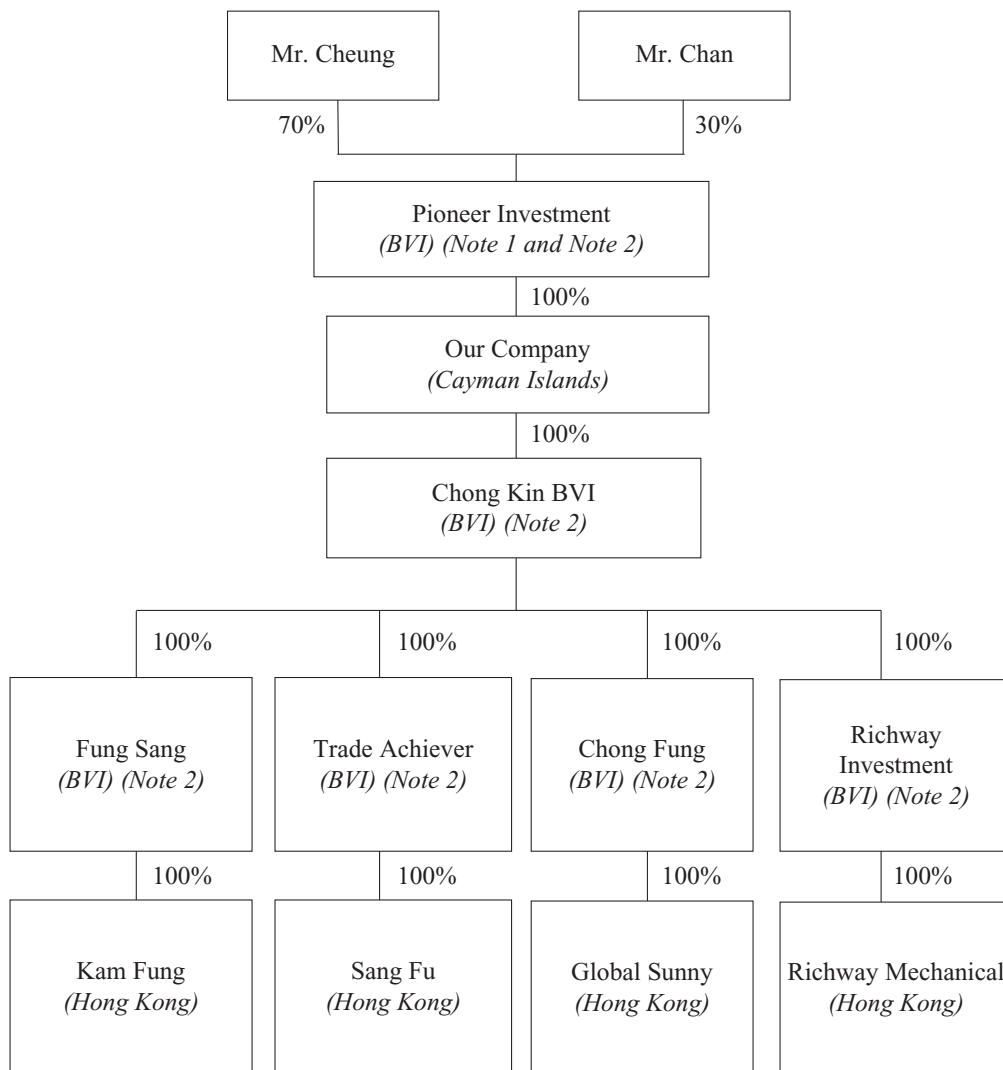
Set out below the corporate structure of our Group immediately before Reorganisation:



HISTORY AND DEVELOPMENT

OUR REGORGANISATION

The following diagram sets forth the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Share Offer:

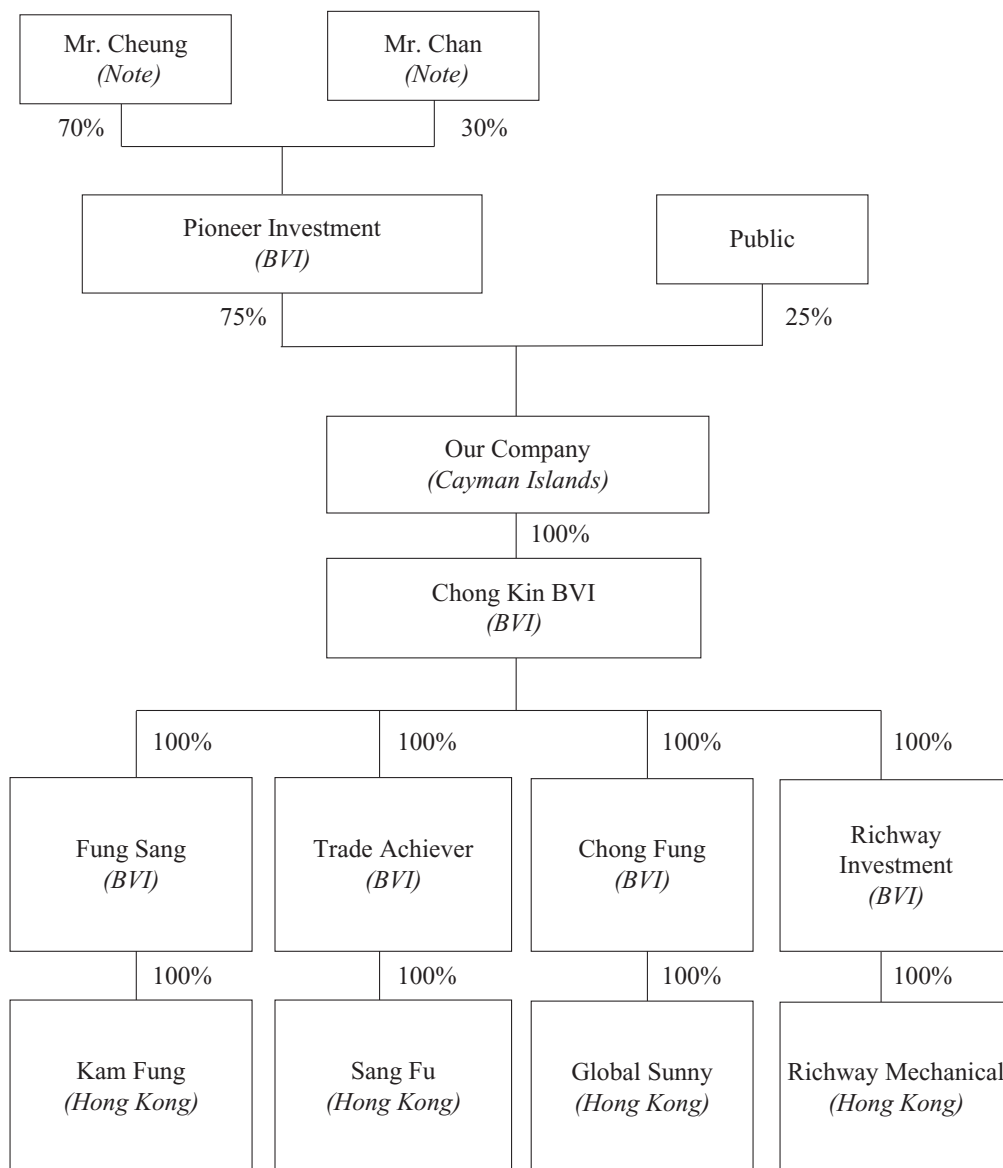


Note:

1. Pioneer Investment is an investment holding company incorporated in the BVI and had no substantive business activities as at the Latest Practicable Date.
2. Mr. Cheung is the sole director of Pioneer Investment, Chong Kin BVI, Fung Sang, Trade Achiever, Chong Fung and Richway Investment.

HISTORY AND DEVELOPMENT

The following diagram sets forth the corporate structure of our Group immediately after completion of the Share Offer (without taking into account any shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):



Note: Each of Mr. Cheung, Mr. Chan and Pioneer Investment will together control 75% of the total issued share capital of our Company. Mr. Cheung will hold 70% of the issued share capital of Pioneer Investment and Mr. Chan will hold 30% of the issued share capital of Pioneer Investment. For the purpose of the Listing Rules, Mr. Cheung, Mr. Chan and Pioneer Investment are our Controlling Shareholders.

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OVERVIEW

We are a leading concrete services provider in Hong Kong in terms of the revenue generated by us in the concrete services industry in Hong Kong in 2015. According to the Euromonitor Report, in 2015, we ranked first among concrete services provider in Hong Kong with a market share of approximately 23.3% in terms of the total revenue of the concrete services industry in Hong Kong. The total revenue of the concrete services industry accounted for approximately 0.4% of the total revenue of the overall construction industry in Hong Kong in 2014.

We have over 12 years of experience in undertaking concrete placing works in Hong Kong. Concrete placing generally refers to the process by which concrete is deposited into its final position that meets the specifications of strength, impermeability and durability as required in different construction works. We principally provide concrete placing services and other ancillary services (such as provision of sundry, cleaning services for construction sites and rental of concrete placing machinery) as a subcontractor for both (i) public sector projects, including building and infrastructure related projects and (ii) private sector projects, which are mostly building related projects in Hong Kong. For the three years ended 31 March 2016, our Group derived revenue of approximately HK\$187.1 million, HK\$273.6 million and HK\$378.5 million respectively from our concrete placing works and other ancillary services.

During the Track Record Period and up to 31 March 2016, we had completed 66 projects. As at 31 March 2016, we had 40 projects on hand (including projects in progress as well as projects that have been awarded to us as at 31 March 2016 but not yet commenced) with total outstanding contract sum of approximately HK\$607.7 million as at 31 March 2016. Further details of our projects are set out in the paragraph headed “Our Projects” in this section.

Our direct customers are mostly main contractors of various types of building and infrastructure 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 private sector projects.

As a subcontractor, we secure our projects from main contractors through tenders by invitation. For the three years ended 31 March 2016, revenue derived from our five largest customers amounted to approximately 92.6%, 89.8% and 89.3%, respectively, of our total revenue. The percentage of our revenue attributable to our largest customer amounted to approximately 46.1%, 42.3% and 44.6%, respectively, for the same periods. We have maintained a stable relationship with our five largest customers (in terms of revenue) who have maintained business relationship with us for a period ranging from approximately 1 to 13 years. For further information regarding our customers, please refer to the paragraph headed “Customers” in this section.

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We possess our own machinery and equipment for performing concrete placing works and therefore are not materially reliant on third party for machinery rental. Our owned machinery and equipment include boom pumps, stationary pumps, truck-mounted concrete pumps and placing booms, with an aggregate net book value of approximately HK\$31.4 million as at 31 March 2016. We believe that our investment in machinery and equipment has placed us in a position to cater for concrete placing projects of different scales and complexity and to meet the expected 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\$8.0 million, HK\$25.2 million and HK\$3.8 million at cost, respectively. For further information regarding our machinery and equipment, please refer to the paragraph headed “Machinery” in this section.

Our suppliers mainly include suppliers of goods such as machinery parts and consumables e.g. diesel fuels and other miscellaneous accessories (including personal protective equipment used by our on-site workers) and services such as machinery rental service, repair, maintenance and transportation service for our machinery and equipment. During the Track Record Period, our five largest suppliers accounted for approximately 16.0%, 16.3% and 15.1%, respectively, of our total purchase. The percentage of our purchase attributable to our largest supplier amounted to approximately 3.8%, 5.5% and 5.4%, respectively, for the same periods. Our five largest suppliers during the Track Record Period have maintained business relationship with us for a period ranging from approximately 1 to 6 years. For further information regarding our suppliers, please refer to the paragraph headed “Suppliers” in this section.

Subject to our capacity, resources level, types of concrete placing works, cost effectiveness, complexity of the projects and customers’ requirements, we may subcontract part of our works to other third party subcontractors in a project. Our subcontractors mainly include services providers which provide concreting works, sundry works, cleaning works and finishing and screeding of concrete. For the three years ended 31 March 2016, the percentage of our total purchase from our largest subcontractor amounted to approximately 20.8%, 19.2% and 21.0% of our total purchase, respectively, while the percentage of our purchase from our five largest subcontractors combined amounted to approximately 37.2%, 47.1% and 51.0% of our total purchase, respectively. Among our five largest subcontractors (in terms of total transaction amounts) during the Track Record Period, we have developed business relationship with them for a period ranging from approximately 1 year to 6 years. For further information regarding our subcontractors, please refer to the paragraph headed “Subcontractors” in this section.

According to the Euromonitor Report, the concrete services industry is expected to grow at a CAGR of 10.5% from approximately HK\$1,512.6 million in 2015 to approximately HK\$2,492.4 million in 2020 due to upcoming large-scale infrastructure projects and the expected increase in demand for various building projects. Relying on our operational resources and experience, our Directors believe that we are well-positioned to capture the growing demand for concrete placing services in Hong Kong. Please refer to the section headed “Industry Overview – Market drivers” in this prospectus for details of our growth drivers.

COMPETITIVE STRENGTHS

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

Leading concrete services provider in Hong Kong with established reputation and proven track record

We are a leading concrete services provider in Hong Kong. We have over 12 years of experience in undertaking concrete placing works as a subcontractor in Hong Kong. According to the Euromonitor Report, in 2015, we ranked first among the concrete services providers in Hong Kong with a market share of approximately 23.3% in terms of the total revenue of the concrete services industry in Hong Kong. We have continuously strengthened our capability to capture business opportunities through expanding our fleet of machinery and equipment, our team of licensed concretors and our project portfolio. During the Track Record Period, we have acquired over HK\$37.0 million of new machinery in particular concrete placing machinery such as boom pumps, stationary pumps, truck-mounted concrete pumps and placing booms.

We have completed 66 projects during the Track Record Period. Our concrete placing works cover a wide range of building and infrastructure projects including railways, private residential and commercial building development, public housing development, hotel redevelopment, hospital redevelopment, school campus redevelopment and urban renewal projects. Some of our notable concrete placing projects include Hong Kong Science Park, various railway stations of South Island Line, Kwun Tong Line Extension, Shatin to Central Line and Express rail link – Hong Kong Station.

Over the years, we have established ourselves as a dedicated subcontractor in the concrete placing sector and 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. Details of our contracts awarded and projects on hand are set out in the paragraph headed “Operation Flow – Invitation for tendering and quotation, preparation and submission” and “Our Projects” respectively in this section.

Furthermore, our Group has also received a number of awards from our customers in recognition of our service quality and safety management. For details of the awards granted to our Group, please refer to the paragraph headed “Awards and recognitions” in this section. As we normally receive tender invitations directly from customers, we consider that our leading market position in the concrete services industry allows our Group to gain trust of our existing customers and give us a competitive edge when tendering for new business opportunities which are crucial to our business operations and future business development.

Experienced management team

Our management team has extensive industry knowledge and project experience in the concrete services industry. Mr. Cheung, our executive Director, chairman of our Board and one of our Controlling Shareholders, has over 35 years of experience in the concrete

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services industry. His experience and extensive knowledge of the concrete services industry in Hong Kong enable our Group to understand market dynamism and industry practice for concrete placing works. Mr. Cheung has established close business relationships with our customers, suppliers and subcontractors which enhance our market profile and enable us to attract more potential business opportunities. Mr. Cheung is also the vice president of the seventh committee (2015-2017) of Hong Kong Construction Sub-contractors Association and the President of The Hong Kong Concretor Contractors Association Limited and is therefore considered to be respectable by other market participants in the concrete services industry in Hong Kong.

Along with Mr. Cheung, Mr. Fung Chi Chung, our executive Director, has over 30 years of experience in the construction and engineering industry and is experienced in cost planning, cost estimation and tender submission of our Group. Mr. Chau Wai Kwong, our assistant general manager (projects), has over 35 years of experience in the construction and engineering industry and is experienced in overall management of site works, quality control and work safety supervision. Mr. Jack Yeung, our assistant general manager (administration), has over 10 years of experience in civil engineering and building construction in Hong Kong and is responsible for assisting the Board for the overall management of administration, human resources and work safety aspect of our Group. Mr. Cheung Man Tim, our executive Director and chief executive officer, has over 5 years of experience in the construction industry in Hong Kong and is experienced in financial, administrative, marketing activities and devising business strategies. For details of the qualification, experience and responsibilities of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

The individual qualifications and collective experience of our executive Directors and senior management 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 greater success.

Possession of a variety of machinery and equipment

We possess a variety of machinery and equipment for performing concrete placing works of different types and complexity and therefore we are not materially reliant on third party suppliers for machinery rental. We have made substantial investment in new concrete placing machinery and equipment during the Track Record Period. For the three years ended 31 March 2016, we acquired new machinery and equipment in the amount of approximately HK\$8.0 million, HK\$25.2 million and HK\$3.8 million at cost, respectively. As at 31 March 2016, our machinery and equipment had a total net book value of approximately HK\$31.4 million, representing 14.2% of our total assets as at the same date.

Our owned machinery and equipment include boom pumps, stationary pumps, truck-mounted concrete pumps and placing booms. In particular, the work radius of our boom pumps ranges from 25 metres to 63 metres which allow us to be less reliant on labour

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to carry out concrete placing work at high level. We believe that our investment in different types of machinery and equipment has placed us in a position to cater to concrete placing projects in different site conditions.

Our Directors also consider that possession of our owned machinery and equipment allows us to devise suitable works schedules and methods tailored to different needs and requirements from different customers and enables us to efficiently and effectively schedule our projects and deploy our manpower resources.

Stable relationship with our key customers and suppliers

We have established stable business relationships with our key customers and the longest of which has over 13 years of relationship with us. Among our five largest customers (in terms of revenue) during the Track Record Period, we have been providing services to them for a period ranging from approximately 1 to 13 years. Having good and stable business relationship with customers in the concrete services industry is especially important because it opens doors for referrals for tender by invitations from them who are satisfied with our work quality. Besides, we have established stable business relationship with our major suppliers and the longest time with which is approximately 6 years.

We have also developed a strong business relationship with Zoomlion International Trading (HK) Co., Ltd. (中聯重科國際貿易(香港)有限公司) (“**Zoomlion**”), a subsidiary of Changsha Zoomlion Heavy Industry Science & Technology Development Co., Ltd., which is a Chinese manufacturer of construction machinery listed in Hong Kong (stock code: 1157), by sourcing our concrete placing machinery for more than three years.

Our Directors consider that our long-standing 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 concrete placing works subcontractors. Our management system was certified to be in accordance with the standard required under ISO 9001:2008 (quality management), OHSAS 18001:2007 (occupational health and safety management) and ISO 14001:2015 (environmental management). Our Directors believe that our effective quality management, occupational health and safety management and environmental management systems as well as good compliance track record would help reduce our exposure to relevant potential claims and improve our overall service quality and profitability.

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BUSINESS STRATEGIES

Our principal business objective is to solidify our leading market position as a concrete services provider, further increase our market share in the concrete services industry in Hong Kong and create long-term Shareholder's value. We intend to achieve our business objective by competing for more concrete placing projects. As the number and size of concrete placing projects that can be executed by our Group concurrently at any given time is limited by our resources including the capacity and the availability of our machinery and manpower, the bottleneck of our profitability would be caused by the insufficiency of or the inability to locate our machinery and skilled labours during our operation. Therefore, our Directors believe that the expansion of our operation can be achieved by acquisition of additional machinery and equipment and further strengthening our manpower. To ensure sustainable growth and capital sufficiency in achieving our business objective, we also pursue prudent financial management in carrying out our strategies.

Acquisition of additional machinery and equipment

Most of our concrete placing works require the use of different machinery, details of which are set out in the paragraph headed "Machinery" below in this section. To satisfy our project need, after the Track Record Period and up to the Latest Practicable Date, we have purchased additional 8 placing booms, 6 truck-mounted concrete pumps and 1 boom pump at a total acquisition cost of approximately HK\$11.1 million. In view of the future growth of the concrete services industry in Hong Kong as identified in the Euromonitor Report, we intend to acquire additional eight placing booms and four boom pumps that suit our needs for the newly awarded projects and projects that we anticipate to tender for the year ended 31 March 2017. Given the increase in our fleet of concrete placing machinery and equipment, we also expect there will be an increase in our demand for related parts for repair and maintenance of our machinery. Please refer to the section headed "Future plans and use of proceeds" of this prospectus for further details on the use of proceeds for acquisition of additional machinery and equipment and related parts for our expansion.

Our Directors believe that acquisition of additional machinery and equipment will allow us to: (i) cater to projects of larger scale and higher complexity in the future and therefore 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) increase our industry reputation and awareness among the peers.

Our Group will also continue to evaluate the operating condition, effectiveness and efficiency of our machinery and equipment and assess our need for acquiring additional machinery and equipment in accordance with our business development.

Further strengthening our manpower

We consider that a team of strong workforce equipped with appropriate knowledge and experience in our operation is crucial to our continuing success.

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To cater to the growing demand for the concrete placing works in Hong Kong and further enhance our manpower for our projects on hand and newly awarded projects in future, we plan to expand our labour resources by recruitment of (i) operation staff including quantity surveyors, site agents, safety and environmental manager, safety officers and machinery operators and (ii) administrative staff including general clerks and accounting officers to deal with the financial reporting requirements and corporate governance matters which are expected to increase following the Listing. Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further details on the use of proceeds for strengthening our manpower.

As concrete placing work is physically demanding and requires lots of strength to perform effectively, we are also working with the Construction Industry Council to employ and provide training to potential young candidates who are interested to join our workforce.

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 concrete placing workmanship. Such training courses would include internal training as well as courses organised by external parties and training institutions.

In carrying out the above business strategies, we will continue to maintain a prudent financial management strategy in our business operations. Our Directors believe that a prudent financial management in capital management could provide reasonable return for shareholders while ensuring our sustainable growth in the long term. We therefore intend to repay certain amount of our bank loan to lower the indebtedness of our Group. We also intend to pay off part of our outstanding finance lease including the amount that we are not able to release the personal guarantee given by a Director of the Company in order to demonstrate our financial independence after Listing.

In addition to maintain a healthy indebtedness level of our Group, we will continue to adopt a prudent treasury management policy to (i) ensure that our funds are properly and efficiently collected and deployed such that there is no material shortfall in cash which may interrupt our Group’s daily business obligations; (ii) maintain sufficient level of funds to settle our liabilities when they fall due; (iii) maintain adequate liquidity to cover our operation cash flow, project expenditures and administrative expenses; and (iv) streamline our operational processes to achieve savings in construction-related costs, maintenance and other operating costs.

Our Directors believe that by expanding our scale of operation as mentioned above, we will be able to (i) efficiently manage our projects on hand and newly awarded projects in future; (ii) participate in larger concrete placing projects; and (iii) have additional manpower and machinery to further strengthen our project execution ability and quality of our service which is of utmost importance to our Group’s competitiveness and ongoing business development. Leveraging our proven track record, our reputation, solid experience in concrete placing projects over the Track Record Period and our prudent financial management, our Directors are of the view that we are well positioned to capture the emerging business opportunities for concrete placing projects in the future.

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As at the Latest Practicable Date, we have not identified any target for acquisition and do not have any acquisition plans.

OUR CONCRETE PLACING AND ANCILLARY SERVICES

We, through Kam Fung, Global Sunny, Richway Mechanical and Sang Fu, our operating subsidiaries, principally offer concrete placing services and other ancillary services (such as provision of sundry, cleaning services for construction sites and rental of concrete placing machinery) as a subcontractor for various construction projects in Hong Kong.

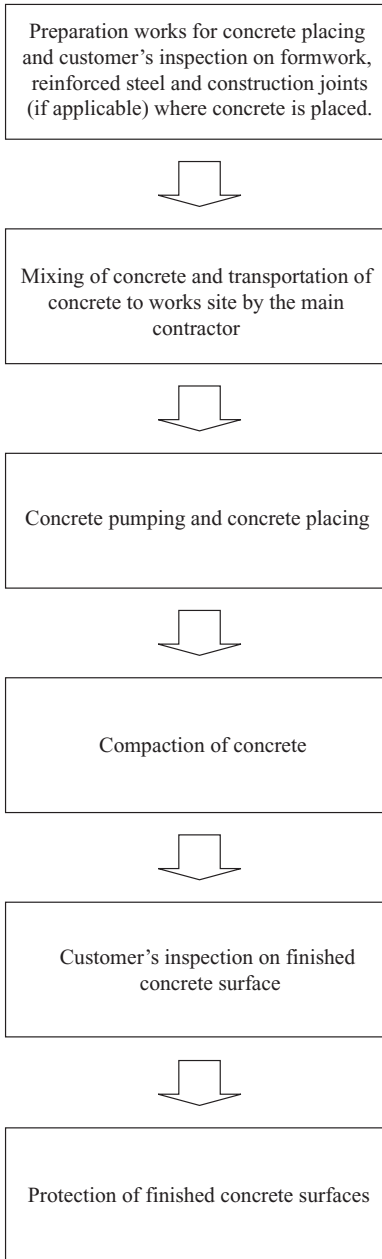
Our concrete placing works and ancillary services cover a wide range of building and development projects including but not limited to the followings:

- infrastructure and railway line extension projects
- private residential development and redevelopment projects
- commercial and industrial development and redevelopment projects
- public housing development projects
- hotel development and redevelopment projects
- hospital redevelopment projects
- campus redevelopment projects for universities, colleges and schools
- urban renewal projects
- arts and cultural development projects

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Concrete placing services

Concrete placing generally refers to the process by which concrete is placed or deposited into its final position that meets the specifications of strength, impermeability and durability required in different construction works. A typical workflow of our concrete placing works is set out below:



- *Preliminary preparation*
 - Prior to placing concrete, the main contractor or its representative will inspect and approve the surfaces, the formwork, and reinforcing steel upon which the concrete is to be placed.

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- The main contractors shall notify us approximately 15 hours before we can commence our concrete placing operation on sites.
- An inspection will then be made by us to check the cleanliness of the forms immediately prior to concreting.
- Relevant machinery and labour will be arranged by us and ensure they are ready for operation.
- *Transportation and mixing of concrete by the main contractor*
 - On the day of operation, the main contractor is responsible for procuring concrete from concrete supplier and delivering the mixed concrete to the works site for our use.
 - The customer is also responsible for mixing of concrete at a water/cement ratio to produce concrete of an adequate workability for placing without excessive bleeding or segregation.
- *Pumping and placing of concrete*
 - Concrete shall be placed as rapidly as possible no later than 30 minutes after leaving the mixer in order to prevent segregation or drying out and ensure the concrete is of the required workability at the point and time of placing. Generally, the temperature of fresh concrete shall not exceed 30 degree celsius when it is placed in position.
 - Depending on the height or level of the position where the concrete is going to be placed, concrete is conveyed from the mixer on the ground floor to the place of final position by using pumping machinery such as truck-mounted concrete pump (for conveying the concrete from the mixer and placing the concrete directly on multi-storey levels), boom pump (connected the mixer and load the concrete to a level that truck-mounted pump cannot be reached through pipes) and placing booms (connected with the pipes with portable pumps and operate on the top floors to place the concrete precisely at its final position).
 - Concrete shall be placed continuously as nearly as practicable directly in its final position and shall not be re-handled or caused to flow in a manner and shall not be dropped from a height more than one metre which may cause segregation, loss of materials, displacement of reinforcement, shuttering or embedded inserts or impair its strength.
 - Concrete shall be allowed to slide vertically or flow down on sloping surfaces directly into its final position from skips, down pipes or other placing machines. Except otherwise agreed by the main contractor, concrete shall not be dropped freely through a height greater than two metres.

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- Concrete shall be carefully placed in successive horizontal layers which shall be kept at an even height throughout the work. The depth of each shall be such that each layer can be properly merged into the preceding layer before the previous layer has stiffened. The depth of each layer generally ranges from 150 millimetres to 450 millimetres, unless otherwise agreed by the main contractor.
- *Compaction of concrete*
 - Compaction of concrete is carried out in order to to produce a dense homogenous mass in the concrete so as to eliminate stone pockets, honeycomb, and entrapped air and therefore ensure the strength of the concrete. Concrete shall be compacted through vibration by inserting the vibrators into the uncompacted concrete vertically and at regular intervals during the placing and thoroughly worked around the reinforcement, around embedded fixtures and into corners or the formwork until the expulsion of air has practically ceased. When concrete is vibrated, the internal friction between the aggregate particles is temporarily destroyed and the concrete behaves like a liquid; it settles in the forms under the action of gravity and the large entrapped air voids rise more easily to the surface. Compaction shall commence as soon as there is sufficient concrete to immerse the vibrator and continue during the placing operations so that at no time shall there be a large volume of uncompacted concrete in the formwork.
- *Finishing of concrete*
 - Once the concrete has been properly placed, a large metal or wood board is used to screed the top of the concrete. This screeding process helps further compact the concrete, and begins the smoothing and leveling of the top of the concrete. Once the surface has been screeded, the concrete shall be floated. This involves using a special trowel called a float. The surface is floated to further compact the concrete, even out any depressions or high areas, and create a smooth finish on the surface.
 - Concrete that will be visible, such as driveways, highways, or patios, often needs additional finishing after the floating procedure. If that is the case, a steel trowel finish is needed. The concrete will be left to rest until the surface begins to firm up. Once firm, steel troweling is performed to create a smooth, hard and uniform finish across the concrete surface.
- *Protection of concrete*
 - After placing and compaction of concrete, the concrete surface must be left absolutely undisturbed while setting and the main contractor is responsible for taking reasonable measures (e.g. using waterproof paper or plastic membrane) to protect and cover the finished concrete surface against the harmful effects of weather, heavy rain and running water.

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Ancillary services

In addition to concrete placing, we also provide sundry and cleaning services for construction sites. Details of our sundry and cleaning services are set out below:

- Sundry services including the following general site works:
 - concrete chiselling of all corners and uneven joints of surfaces
 - installing, maintaining and dismantling safety barriers, railings and safety mesh at life shaft openings, staircases, floor edges, floor openings in electricity metre rooms, water meter rooms
 - protection of all adjacent finished works including electrical and mechanical works and associated openings, refuse chutes, sanitary fittings, built-in fixtures
- General cleaning works including:
 - cleaning off any spillages of concrete onto formwork, support works and the structures nearby and any other spillages arising from the concrete placing works
 - cleaning water tanks, staircases, lobbies, lift lobbies and external area prior to final handover to customer
 - Other general cleaning services

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OUR PROJECTS

Projects completed during the Track Record Period

During the Track Record Period, we had completed 66 projects. The following table summarises our projects completed during the Track Record Period with aggregate revenue of more than HK\$5.0 million contributing to us during the Track Record Period.

Project No.	Project details	Sector	Commencement date <small>(Note 1)</small>	Completion date <small>(Note 1)</small>	Contract sum <small>(Note 2)</small> <small>(HK\$'000)</small>	Aggregate revenue recognised during Track Record Period <small>(Note 3)</small> <small>(HK\$'000)</small>
1	Residential and commercial development in Kam Tin, Yuen Long <i>(Project #1)</i>	Private	Mar 2012	Feb 2016	27,653	23,591
2	Residential development in Tai Tong, Yuen Long <i>(Project #2)</i>	Private	May 2011	Sep 2013	65,738	13,872
3	Residential development at Java Road, North Point <i>(Project #3)</i>	Private	May 2014	Dec 2015	19,311	15,888
4	Redevelopment of a golf and tennis club in Pak Kong, Sai Kung <i>(Project #4)</i>	Private	May 2012	May 2014	8,118	5,517
5	Residential development (Phase I) at Seymour Road, Mid-level <i>(Project #5)</i>	Private	Mar 2012	Nov 2014	13,077	10,494
6	Residential development (Phase II) at Seymour Road, Mid-level <i>(Project #6)</i>	Private	Jun 2014	Mar 2016	7,133	6,001
7	Residential and commercial development at Ying Hong Street, Tung Chung <i>(Project #7)</i>	Private	Jul 2013	Jan 2016	37,479	30,223
8	Multi-storey logistics facilities in Tsing Yi <i>(Project #8)</i>	Private	Nov 2014	Oct 2015	16,422	16,422
9	Logistics centre at Lot no. 180, Tsing Yi <i>(Project #9)</i>	Private	May 2013	Aug 2014	31,460	27,933
10	South Island Line -Wong Chuk Hang depot superstructure <i>(Project #10)</i>	Public	May 2012	Feb 2015	21,193	13,821
11	Residential development at Austin station <i>(Project #11)</i>	Private	Sep 2012	Oct 2014	17,279	11,818
12	Hong Kong Science Park (Phase 3) in Pak Shek Kok <i>(Project #12)</i>	Public	Jun 2012	Dec 2013	37,676	19,311
13	Commercial development at Hung Lune Road, Hung Hom <i>(Project #13)</i>	Private	May 2014	Aug 2015	12,988	12,293
14	Residential redevelopment at Island Road, Deep Water Bay <i>(Project #14)</i>	Private	Oct 2013	Mar 2015	5,254	5,191
15	Commercial redevelopment at the junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road, Kwun Tong <i>(Project #15)</i>	Private	Oct 2013	Nov 2014	15,599	15,532
16	Commercial development at Kai Cheung Road, Kowloon Bay <i>(Project #16)</i>	Private	Jul 2014	Mar 2016	14,480	14,480

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Project No.	Project details	Sector	Commencement date <i>(Note 1)</i>	Completion date <i>(Note 1)</i>	Contract sum <i>(Note 2)</i> <i>(HK\$'000)</i>	Aggregate revenue recognised during Track Record Period <i>(Note 3)</i> <i>(HK\$'000)</i>
17	Residential development at section 66C, Tseung Kwan O <i>(Project #17)</i>	Private	Jan 2014	Feb 2016	7,062	5,689
18	Substructure project at the junction of Sheung Lok Street and Sheung Shing Street, Ho Man Tin <i>(Project #18)</i>	Private	Jun 2014	Mar 2015	5,160	5,132
19	Residential development at Clear Water Bay Road, Sai Kung <i>(Project #19)</i>	Private	Jun 2013	Feb 2016	70,643	58,890
20	Kwun Tong Line extension – Whampoa station <i>(Project #20)</i>	Public	May 2015	Feb 2016	30,650	30,650
21	Residential development at Dragon Road, North Point <i>(Project #21)</i>	Private	Jun 2013	Aug 2015	11,395	9,226
22	Residential development at Wu Kai Sha <i>(Project #22)</i>	Private	Mar 2012	Apr 2015	9,160	5,295
23	Residential redevelopment at Kadoorie Ave, Ho Man Tin <i>(Project #23)</i>	Private	Jul 2014	Jan 2016	6,632	6,561
24	Residential development at Lung Tin Tsuen, Yuen Long <i>(Project #24)</i>	Private	Feb 2012	Apr 2014	16,021	9,569
25	Residential development at Mount Nicholson Road, the Peak <i>(Project #25)</i>	Private	Apr 2013	Dec 2015	27,680	27,108
	Subtotal					400,507
	Others <i>(Note 4)</i>					62,239
	Total					462,745

Notes:

- The commencement date for a particular project refers to the date of actual commencement of our substantial works on site, whereas the completion date for a particular project refers to the actual date of substantial completion of our works in such project. Such period does not include the relevant defects liability period.
- Various contracts may be entered into with our customers for the same project. We consider the concrete placing and ancillary works under the separate contracts but in the same location as one project. The contract sum of the project is based on the aggregate contract sum of the initial agreement(s) between our customer and us plus additions and modifications due to subsequent variation orders.
- The difference between the aggregate revenue recognised during the Track Record Period for a particular completed project and the total contract sum of the respective project was due to the amount of revenue recognised before 1 April 2013.
- There were 41 projects completed during the Track Record Period, each of which contributed less than HK\$5.0 million of revenue to our Group during the Track Record Period.

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Projects on hand as at 31 March 2016

As at 31 March 2016, we had 40 projects on hand (including projects in progress as well as projects that have been awarded to us as at 31 March 2016 but not yet commenced). The following table summarises our projects on hand as at 31 March 2016 with either aggregate revenue during the Track Record Period or outstanding contract sum of more than HK\$5.0 million as at 31 March 2016.

Project No.	Project details	Sector	Commencement date <i>(Note 1)</i>	Expected completion date <i>(Note 2)</i>	Contract sum <i>(Note 3)</i> <i>(HK\$'000)</i>	Aggregate revenue recognised before Track Record Period <i>(Note 4)</i> <i>(HK\$'000)</i>	Aggregate revenue recognised during Track Record Period <i>(HK\$'000)</i>	Outstanding contract sum as at 31 March 2016 <i>(Note 5)</i> <i>(HK\$'000)</i>
1	A cultural museum in West Kowloon Cultural District <i>(Project #26)</i>	Public	Apr 2016	May 2017	23,990	-	-	23,990
2	A logistics centre at Lot no. 181, Tsing Yi <i>(Project #27)</i>	Private	Jan 2016	May 2017	49,124	-	2,769	46,355
3	Residential development in Kau To Shan, Sha Tin <i>(Project#28)</i>	Private	Dec 2015	Jul 2017	13,550	-	-	13,550
4	Residential development at Leung Tak Street, Tuen Mun <i>(Project #29)</i>	Private	Dec 2015	Jul 2017	7,616	-	670	6,946
5	Hotel development at Estate Lane and Shu Kuk Street, North Point <i>(Project #30)</i>	Private	May 2015	Jul 2016	10,448	-	6,026	4,422
6	Residential redevelopment at Kai Yuen Street, North Point <i>(Project #31)</i>	Private	Aug 2015	Dec 2017	18,940	-	2,820	16,121
7	Residential development at Stubbs Road <i>(Project #32)</i>	Private	Nov 2014	Apr 2017	34,981	-	7,228	27,753
8	Shatin to Central link – Diamond Hill station <i>(Project #33)</i>	Public	Jan 2015	Mar 2017	22,067	-	13,792	8,275
9	Public housing development project in Tung Chung <i>(Project #34)</i>	Public	Jan 2016	Oct 2017	39,492	-	1,507	37,986
10	Residential development at Nam Cheong station <i>(Project #35)</i>	Private	Sep 2013	Sep 2017	72,886	-	24,909	47,977
11	Residential development at Sai Yee Street, Mongkok <i>(Project #36)</i>	Private	Nov 2014	May 2016	14,356	-	10,898	3,458
12	Hotel development at the junction of Hung Luen Road and Wa Shun Street, Hung Hom <i>(Project #37)</i>	Private	Nov 2014	May 2016	16,234	-	12,509	3,725
13	Residential development at Tsuen Wan West station <i>(Project #38)</i>	Private	Jul 2015	Jan 2017	19,902	-	5,535	14,367
14	Residential development at Cityside, Tsuen Wan West station <i>(Project #39)</i>	Private	May 2015	Mar 2017	31,939	-	5,649	26,290
15	Express Rail Link Hong Kong Station <i>(Project #40)</i>	Public	Mar 2012	Dec 2018	225,905	2,400	100,655	118,492
16	Commercial development at Wai Yip Street, Kwun Tong <i>(Project #41)</i>	Private	May 2015	Jan 2017	11,733	-	2,349	9,383
17	Residential development in Kai Tak <i>(Project#42)</i>	Private	Jan 2016	Aug 2018	10,005	-	280	9,725
18	Residential and commercial development at section 65C1, Tseung Kwan O <i>(Project #43)</i>	Private	Jul 2015	Jun 2016	18,581	-	7,624	10,957
19	Residential and commercial development at section 93, Tseung Kwan O <i>(Project #44)</i>	Private	Oct 2015	Oct 2017	30,306	-	1,749	28,557

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Project No.	Project details	Sector	Commencement date <i>(Note 1)</i>	Expected completion date <i>(Note 2)</i>	Contract sum <i>(Note 3)</i> <i>(HK\$'000)</i>	Aggregate revenue recognised before Track Record Period <i>(Note 4)</i> <i>(HK\$'000)</i>	Aggregate revenue recognised during Track Record Period <i>(HK\$'000)</i>	Outstanding contract sum as at 31 March 2016 <i>(Note 5)</i> <i>(HK\$'000)</i>
20	Residential development at section 95, Tseung Kwan O <i>(Project #45)</i>	Private	Apr 2016	Feb 2017	11,902	–	–	11,902
21	Residential development at section 66A, Tseung Kwan O <i>(Project #46)</i>	Private	Aug 2013	Apr 2016	15,576	–	12,333	3,243
22	Residential development at section 66D2, Tseung Kwan O <i>(Project #47)</i>	Private	Feb 2015	Feb 2017	19,808	–	4,981	14,827
23	Residential development in Church Lane, Shau Kei Wan <i>(Project#48)</i>	Private	Sep 2015	Oct 2017	10,179	–	3,881	6,298
24	Hospital at Nam Fung Path, Wong Chuk Hang <i>(Project #49)</i>	Private	Mar 2015	May 2016	13,706	–	12,016	1,691
25	Commercial remodeling project at Salisbury Road, Tsim Sha Tsui <i>(Project #50)</i>	Private	Jan 2013	Sep 2017	165,726	–	106,863	58,863
26	Industrial development at Fuk Hi Street, Yuen Long <i>(Project #51)</i>	Public	Apr 2016	Oct 2016	6,700	–	–	6,700
27	Residential redevelopment at Fuk Wing Street, Hing Wah Street and Un Chau Street, Sham Shui Po <i>(Project #52)</i>	Public	Sep 2013	Apr 2016	6,698	–	5,746	951
28	Office complex development at Lam Lee Street, Kowloon Bay <i>(Project #53)</i>	Private	Jan 2016	Nov 2016	9,987	–	1,505	8,483
	Subtotal							571,244
	Others ^{<i>(Note 6)</i>}							36,476
	Total							607,721

Notes:

- Commencement date for a particular project refers to the actual or expected date of commencement of our substantial works on site for such project.
- Expected completion date for a particular project refers to the date which our work are expected to be substantially completed based on our management's best estimation taking into account the actual work schedule and information from our customers, if available.
- Various contracts maybe entered into with our customers for the same project. We consider the concrete placing and ancillary works under the separate contracts but in the same location as one project. The contract sum is based on the aggregate contract sum of the initial agreement(s) between our customer and us plus additions and modifications due to subsequent variation orders.
- Aggregate revenue recognised before the Track Record Period is based on our internal unaudited record.
- Outstanding contract sum represents the amount of contract sum that were not recognised as our revenue. Such amount may or may not be recognised as our revenue in the future.
- Others refer to 12 on-going projects.

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Projects awarded after the Track Record Period and up to the Latest Practicable Date

After the Track Record Period and up to the Latest Practicable Date, we have been awarded 20 new contracts of total contract sum of approximately HK\$216.7 million, of which 6 contracts of approximately HK\$57.3 million were attributable to the projects on hand as at 31 March 2016 and therefore had been included in the total outstanding contract sum of such projects on hand as at 31 March 2016. The remaining 14 contracts of approximately HK\$159.3 million were attributable to 13 new projects in new location of the construction sites. The following table summarise the new projects awarded to us after Track Record Period and up to the Latest Practicable Date with contract sum of more than HK\$5.0 million.

Project No.	Project details	Sector	Expected commencement date <small>(Note 1)</small>	Expected completion date <small>(Note 2)</small>	Contract sum <small>(Note 3)</small>
1	Commercial development in Quarry Bay	Private	Apr 2016	Dec 2017	32,601
2	Residential development in Pak Shek, Ma On Shan	Private	Jun 2016	Jun 2018	22,869
3	Commercial development in Tung Chung Lot 2 and 11	Private	Nov 2016	Mar 2018	25,000
4	Hong Kong Government Office in Yau Ma Tei	Public	Jan 2017	Jan 2018	18,913
5	Residential development in Lot 70, Tseung Kwan O	Private	Oct 2016	Jun 2018	33,000
6	Residential development in Fanling	Private	Aug 2016	Oct 2017	<u>14,154</u>
	Subtotal				146,538
	Others <small>(Note 4)</small>				<u>12,784</u>
	Total				<u><u>159,323</u></u>

Notes:

- Expected commencement date for a particular project refers to the expected date of commencement of our substantial works on site for such project.
- Expected completion date for a particular project refers to the date which our work are expected to be substantially completed based on our management's best estimation taking into account the actual work schedule and information from our customers, if available.
- Various contracts maybe entered into with our customers for the same project. We consider the concrete placing and ancillary works under the separate contracts but in the same location as one project. The contract sum is based on the aggregate contract sum of the initial agreement(s) between our customer and us.
- Others refer to 7 projects.

Of the aggregate outstanding contract sum of approximately HK\$767.0 million for the (i) 40 on-going projects as at 31 March 2016 of approximately HK\$607.7 million and (ii) 13 new projects awarded after the Track Record Period and up to the Latest Practicable Date of approximately HK\$159.3 million, a total of approximately HK\$512.0 million, HK\$215.1 million and HK\$39.9 million are expected to be recognised for the year ending 31 March 2017, 2018 and 2019 respectively.

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The following table sets out the movement of the number of our projects during the Track Record Period:

	For the year ended 31 March		
	2014	2015	2016
Projects brought forward from the last financial year	26	25	39
Add: new projects commenced in the financial year	20	27	33
Less: projects completed in the financial year	21	13	32
Projects in progress as at the year end date	25	39	40

The following table sets out the movement of our project value during the Track Record Period:

	For the year ended 31 March		
	2014	2015	2016
	<i>HK\$ million</i>		
Project value brought forward from the last financial year (A) ^{Note 1}	388.5	664.3	633.4
Add: value of the new projects which commenced in the financial year (B) ^{Note 2}	478.4	244.9	395.9
Less: value of the completed projects in the financial year (C = A + B – D)	202.6	275.8	421.6
Project value on hand as at the year end date (D) ^{Note 1}	664.3	633.4	607.7

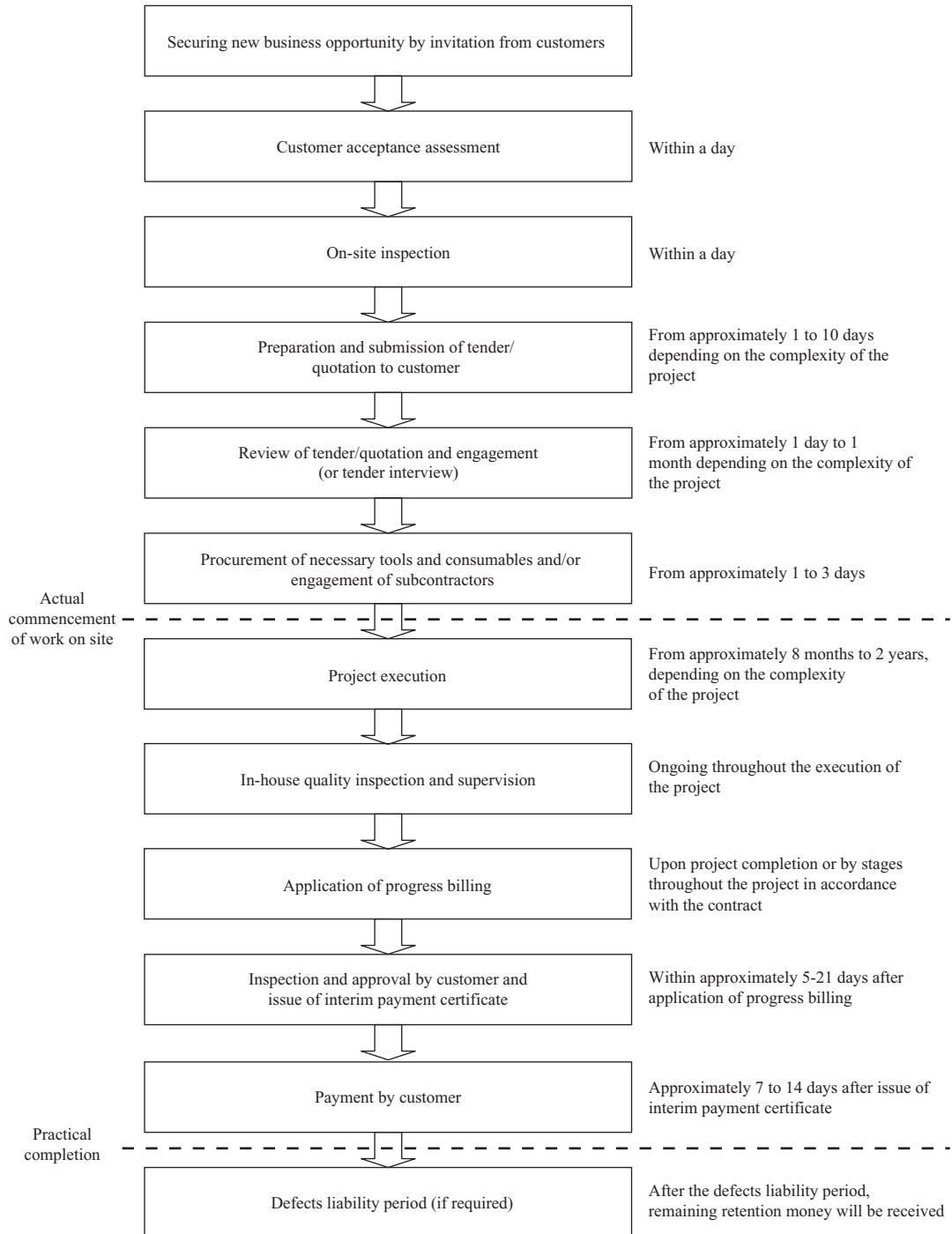
Notes

- Such value represented the total adjusted contract sum of the on-going projects as at the beginning/ending of the financial year minus any revenue recognized prior to the financial year.
- Such value represented the total adjusted contract sum of the projects which commenced in the financial year.

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OPERATION FLOW

Set out below is a flowchart summarising the principal steps of our workflow of a typical job:



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Invitation for tendering and quotation, preparation and submission

We are usually invited by our customer to submit a tender for a potential project as a subcontractor. Our direct customers are mostly main contractors of various types of building and infrastructure projects in Hong Kong and we are provided with the specifications and drawings along with the invitations. For further information of our marketing activities, please refer to the paragraph headed “Customers – Marketing activities” below in this section.

Mr. Fung Chi Chung, our executive Director, is responsible for assisting our other executive Directors on the preliminary review and assessment of a potential project. In the preliminary review and assessment process, we consider (i) the technical specifications of a potential project; (ii) the commencement date and duration of a potential project; (iii) the location and the conditions of the site; (iv) our resources availability; and (v) our previous experience in relevant projects.

Once our executive Directors consider a potential project to be acceptable based on our review and assessment, we will prepare and submit a tender proposal to our customer. In the course of preparation of a tender, we mainly consider (i) the complexity of a potential project; (ii) the manpower needed; (iii) the availability of machinery required; and (iv) the tender price (details of our pricing strategy is set out in the paragraph headed “Customers – Pricing strategy” below in this section). On-site visit may be conducted to have a better understanding on the conditions of the site, if necessary. We then prepare tender documents including bills of quantities and terms of the contract.

Tenders submitted during the Track Record Period

During the Track Record Period, all of our concrete placing contracts were obtained through tendering. The following table sets out the number of contracts tendered, number of successful contracts tendered and our success rate during the Track Record Period and from 1 April 2016 to the Latest Practicable Date:

	For the year ended 31 March			From 1 April 2016 to the Latest Practicable Date <i>(Note 2)</i>
	2014	2015	2016	
Number of contracts tendered	179	166	208	111
Number of successful contracts <i>(Note 1)</i>	36	35	36	15
Success rate (%)	20.1	21.1	17.3	13.5

Notes:

1. The number of successful contracts for a particular year/period corresponds to the year/period when we submit our tender and such figure is therefore different from the actual number of contracts awarded to our Group in the same year/period.
2. From 1 April 2016 to the Latest Practicable Date, there were 111 tender applications submitted by our Group. Out of the said 111 tender applications, we received 52 tender result and the tender results of the remaining 59 tender applications are yet to be known.

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Our tender success rate for the year ended 31 March 2016 was lower than the tender success rates for the two years ended 31 March 2015 principally because we were occupied with various concrete placing projects which took up most of our concrete placing machinery and labour resources during the year ended 31 March 2016. Nevertheless, the number of tenders submitted for the year ended 31 March 2016 is relatively larger than the number of tenders submitted for each of the two years ended 31 March 2015 given that during the year, our Group received invitation letters for tenders or letters to express interest for tender and in order to maintain our presence in the market and to remain on our customers' contractors list, we submitted certain tenders upon receipt of invitations from our customers regardless of our capacity. Under such circumstances, we took a relatively cautious approach in costs estimation by factoring a higher profit margin which may render our tender price less competitive than the tenders submitted by our competitors during the year ended 31 March 2016.

The following table sets out the number of contracts that we have been awarded during the Track Record Period and up to the Latest Practicable Date 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	Date
Number of contracts awarded <i>(Note 1)</i>	32	40	39	20
	<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>	310,839	340,023	320,198	216,656

Notes:

1. Number of contracts awarded includes all contracts with respect to which our engagement was confirmed by way of formal engagement agreement, letter of intent, letter of award during the financial year, regardless of whether or not our tender was submitted during the same financial year. Our Directors confirm that our Group had subsequently entered into formal engagement letters with the customers after the receipt of letter of intent or letter of award from the respective customers for the contracts during the Track Record Period. Of the 20 contracts awarded from 1 April 2016 to the Latest Practicable Date, 5, and 15 of the contracts were confirmed by way of formal engagement agreement letter of intent or letter of award respectively. Our Directors also confirm that our Group were not aware of any disputes/unresolved issue in relation to the engagement with our customers as at the Latest Practicable Date.
2. Such amount excludes any subsequent changes due to variation orders (see the paragraph headed "Operation flow – Project execution – Variation orders" below in this section).

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Project acceptance

Upon receipt of our tender, our customer may by way of interview or enquiries clarify with us the particulars of our submitted tender. Once our customer decides to engage us, we will be informed of our acceptance by a letter of award or letter of intent issued to us by our customer. We may then enter into a formal engagement agreement with the customer. 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” of this section.

Project execution

Once our engagement is confirmed, we commence the implementation of the project by: (i) forming a project team; (ii) planning and arranging the required machinery to be delivered to the construction site; (iii) procuring and arranging with suppliers for the required materials for the project; and (iv) appointment of subcontractors, if necessary.

Forming a project team

Depending on the scale and complexity of the project, our project team generally comprises the following key personnel: assistant general manager (projects), site agent, safety supervisors, concretors and other site workers.

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 will oversee the project on site and report to the assistant general manager (projects) 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:

- Mr. Chau Wai Kwong, our assistant general manager (projects), is mainly responsible for supervising our overall workforce on site, monitoring work efficiency and performance of site workers, communicating with our customers, subcontractors and other members of the project team on the project status, allocation of resources in a project, reviewing the progress reports, weekly safety reports and site daily records. Our assistant general manager (projects) directly reports to Mr. Cheung Man Tim, our executive Director and our chief executive officer, on project status and attends progress meetings to report the project progress to our customers.
- Our site agent is responsible for assisting our assistant general manager (projects) 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.
- Our safety supervisor is responsible for supervising implementation of site safety measures and monitoring day-to-day occupational health and safety compliance.

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Planning and arranging machinery

Most of our concrete placing works involve usage of concrete placing machinery including boom pumps, stationary pumps, truck-mounted concrete pumps and placing booms. Mr. Fung Chi Chung, our executive Director, is responsible for managing the machinery for our projects. Mr. Chau Wai Kwong, our assistant general manager (projects), will determine the types of machinery to be used with reference to complexity of the project, customers' requirements, site conditions and the logistics of delivery of machinery to our various project sites. For further details, please refer to the paragraph headed "Machinery" in this section below.

Purchasing of materials

The main contractor is responsible for purchasing, providing and delivering the concrete of adequate workability necessary for our concrete placing works at the works site. Key materials that we purchase for our concrete placing works include repair parts for machinery, consumables and diesel fuel. Mr. Chau Wai Kwong, our assistant general manager (projects) will discuss with our site agents to determine the quantity, delivery schedule, specifications and type of materials to be purchased in order to meet our projects requirements. Our quantity surveyors will then place orders with our approved suppliers and purchase the required materials on a project basis. For further details of our arrangements with our suppliers, please refer to the paragraph "Suppliers" below in this section.

Appointment of subcontractors

Depending on our capability, resources level, cost effectiveness and the complexity of the project, we may subcontract specific parts of the project, such as concreting works, sundry works, cleaning works and finishing and screeding of concrete, to our subcontractors in Hong Kong on our Group's approved list of subcontractors. Save for such specific parts of the project, we usually carry out other parts of a project by our direct employees. We may appoint more than one subcontractor for a project depending on the scale and complexity of the project. For details on our subcontracting arrangement, please refer to the paragraph headed "Subcontractors" below in this section.

Execution

The concrete placing works are executed by our direct labours who are licensed concretors and/or our subcontractors under the supervision of our on-site project teams and representatives of our customers. Throughout the execution phase, our assistant general manager (projects) will meet our customers to review work progress and to resolve any issues identified during the course of execution.

Variation orders

Our customers 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,

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position or dimension; and (ii) changes to any sequence, method or timing of concrete project works specified in the original contract. 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 under the original contract. We are usually notified of a variation order by way of a letter from our customers setting out the detailed works to be carried out as a result of such variation order. We will then 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, closely monitor the work progress, project performance, comments from our customer and follow-up matters for the project. In addition, we hold progress meeting with our customers throughout the project to keep our customers informed of our projects status and any major issues identified during project execution.

Our assistant general manager (projects) is responsible for overall supervision of our workforce on site and monitor the quality and ensure the projects are executed in accordance with our quality standards. Our site agent is required to prepare site daily records describing the works performed by our workers or subcontractors (if any). Such site daily records are passed to our assistant general manager (projects) for review. Our site agent also assists our assistant general manager (projects) to monitor work progress and supervise workmanship and quality. We also conduct thorough inspection to ensure that (i) all concrete surfaces are well compacted and tamped to the correct level in accordance with the setting out marks and lines provided by the main contractor; and (ii) the concrete surfaces are not honeycombed or defective due to inadequate workmanship in concrete placing.

Our work progress is also inspected by our quantity surveyor before we prepare payment applications to our customer.

Payment application and customer inspection

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.

Our customers inspect our works done from time to time in order to confirm and certify 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).

Generally, we receive payment from our customers within a credit period ranging from 14 to 60 days from our payment application. Our customer will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention

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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.

We normally pay progress payment to our subcontractors on a monthly basis with reference to the value of the work performed by our subcontractors in the preceding month after our inspection and verification on their works.

Project completion

Once we have completed the entire project to the satisfaction of our customer, our customer will issue a practical completion certificate which indicates that the concrete placing works have been completed, accepted and approved by the customer. We take steps to put on record our customers' confirmation on practical completion by exchange of correspondence in writing. During the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any material disputes with our customers in ascertaining the status and completion of a project. 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. It generally takes approximately 12 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 money. We normally receive final payment and 50% of the retention money from our customers within 30 days after the said final account is agreed.

Defects liability period and release of remaining retention money

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. We are responsible for repairing any concrete which is honeycombed or defective due to inadequate workmanship in our concrete placing. 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.

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CUSTOMERS

Characteristics of our customers

Our direct customers are mostly main contractors of various types of building and infrastructure projects in Hong Kong. Our projects can be further 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 private sector 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>	%
Private sector	132,791	71.0	235,380	86.0	268,544	71.0
Public sector	<u>54,332</u>	<u>29.0</u>	<u>38,179</u>	<u>14.0</u>	<u>109,935</u>	<u>29.0</u>
	<u>187,122</u>	<u>100.0</u>	<u>273,560</u>	<u>100.0</u>	<u>378,479</u>	<u>100.0</u>

Major customers

For the three years ended 31 March 2016, the percentage of our total revenue attributable to our largest customer amounted to approximately 46.1%, 42.3% and 44.6%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 92.6%, 89.8% and 89.3%, respectively.

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Set out below is a breakdown of our revenue by our five largest customers (including its subsidiaries, joint venture or affiliated entities which our Directors consider them as under the same group) 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 principally undertaken by us	Approximate year(s) of business relationship	Credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
1.	Customer A	A property developer listed in Hong Kong	Concrete placing works	11	N/A ^(Note) or 21-35 days from the date of payment application	Bank remittance/ by cheque	86,255	46.1
2.	Customer B	A construction contractor headquartered in Hong Kong	Concrete placing works	11	14-60 days from the date of payment application	Bank remittance/ by cheque	41,186	22.0
3.	Customer C	A construction contractor which is a subsidiary of a company listed in Hong Kong	Concrete placing works	13	17-23 days from the date of payment application	Bank remittance	17,299	9.2
4.	Customer D	A construction contractor which is a subsidiary of a company listed in Hong Kong	Concrete placing works	7	30-40 days from the date of payment application	Bank remittance/ by cheque	15,109	8.1
5.	Customer E	A property developer listed in Hong Kong	Concrete placing works	6	N/A ^(Note)	By cheque	13,457	7.2
Five largest customers combined							173,306	92.6
All other customers							<u>13,816</u>	<u>7.4</u>
Total revenue							<u><u>187,122</u></u>	<u><u>100.0</u></u>

Note: Sales are generally made without presumed credit term for these customers.

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For the year ended 31 March 2015:

Rank	Customer	Principal business activities	Type of works principally undertaken by us	Approximate year(s) of business relationship	Credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
1.	Customer A	A property developer listed in Hong Kong	Concrete placing works	11	N/A ^(Note) or 21-35 days from the date of payment application	Bank remittance/ by cheque	115,824	42.3
2.	Customer C	A construction contractor which is a subsidiary of a company listed in Hong Kong	Concrete placing works	13	17-23 days from the date of payment application	Bank remittance	63,972	23.4
3.	Customer B	A construction contractor headquartered in Hong Kong	Concrete placing works	11	14-60 days from the date of payment application	Bank remittance/ by cheque	42,992	15.7
4.	Customer F	A construction contractor headquartered in Hong Kong	Concrete placing works	7	30-60 days from the date of payment application	Bank remittance/ by cheque	14,715	5.4
5.	Customer G	A construction contractor which is subsidiary of a company listed in Hong Kong	Concrete placing works	1	30 days from the date of payment application	By cheque	8,207	3.0
Five largest customers combined							245,711	89.8
All other customers							<u>27,849</u>	<u>10.2</u>
Total revenue							<u><u>273,560</u></u>	<u><u>100.0</u></u>

Note: Sales are generally made without presumed credit term for this customer.

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For the year ended 31 March 2016:

Rank	Customer	Principal business activities	Type of works undertaken by us	Approximate year(s) of business relationship	Credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
1.	Customer A	A property developer listed in Hong Kong	Concrete placing works	11	N/A ^(Note) or 21-35 days from the date of payment application	Bank remittance/ by cheque	168,739	44.6
2.	Customer C	A construction contractor which is a subsidiary of a company listed in Hong Kong	Concrete placing works	13	17-23 days from the date of payment application	Bank remittance	72,072	19.0
3.	Customer B	A construction contractor headquartered in Hong Kong	Concrete placing works	11	14-60 days from the date of payment application	Bank remittance/ by cheque	48,389	12.8
4.	Customer F	A construction contractor headquartered in Hong Kong	Concrete placing works	7	30-60 days from the date of payment application	Bank remittance/ by cheque	28,103	7.4
5.	Customer H	A construction contractor which is a subsidiary of a company listed in Hong Kong	Concrete placing works	1	32-35 days from the date of payment application	By cheque	20,823	5.5
Five largest customers combined							338,127	89.3
All other customers							<u>40,352</u>	<u>10.7</u>
Total revenue							<u><u>378,479</u></u>	<u><u>100.0</u></u>

Note: Sales are generally made without presumed credit term for this customer.

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 92.6%, 89.8% and 89.3% respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 46.1%, 42.3% and 44.6% respectively for the same periods. According to the Euromonitor Report, it is common for construction subcontractors to rely on a few customers in Hong Kong. Our Directors consider that despite the customer concentration, our Group's business model is sustainable due to the following factors:

- Due to the nature of the concrete services industry, our potential customer base is relatively limited and concentrated to reputable construction contractors in Hong Kong.
- It is not uncommon for a single project to have a large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. In addition, a project of sizeable scale can have a contract period of up to two years in general. Therefore, if we decide to undertake a certain project with large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us for more than one financial year.
- We have been actively tendering for projects for both private and public sectors. In the event that any of our major customers substantially reduces the number of contracts placed with us or terminates its business relationship with us, our Directors consider that we would have extra capacity to handle other potential projects from other customers in view of the expected growth of demand for concrete services in Hong Kong and our competitive strengths as detailed in the paragraph headed "Competitive strengths" above in this section.
- We experienced a strong demand for our services from a wide range of customers during the Track Record Period as evidenced by the number of tender invitations that we received from our customers during the Track Record Period. Please refer to the paragraph headed "Operation flow – Invitation for tendering and quotation, preparation and submission – Tenders submitted during the Track Record Period" of this section above for further details.
- Our five largest customers (in terms of revenue) had long-standing business relationship with us for approximately 1 to 13 years and we will therefore endeavour to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future.
- Our Directors consider that we have a complementary business relationship with our major customers. Our experience and our proven track record as a quality subcontractor in handling concrete placing projects also give business advantage to our customers to ensure their projects are executed on time, within budget and in accordance with their quality standards.

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Marketing activities

During the Track Record Period, we secured new businesses mainly through direct invitation for tender by customers. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we do not rely heavily on marketing and promotional activities. Our executive Directors are generally responsible for liaising and maintaining our business relationship with customers and keeping abreast of market developments and potential business opportunities.

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 and percentage of markup with reference to various factors including but not limited to (i) the nature, scale and complexity of the project, (ii) the estimated number and types of workers and machinery required; (iii) the concrete placing methods and techniques expected to be applied in a project; (iv) the completion date requested by customers; (v) the likelihood of any material deviation of the actual cost from our estimated cost having regard to the types and amount of labour, machinery, materials and other resources involved in our cost estimations; and (vi) the prevailing market conditions in general.

When preparing for a tender, we also take into account the estimated labour cost and material cost with reference to the relevant price indicators. When there is actual price increase indicated by such price indicators in the preceding month or expected price increase based on estimation by our management and our management considers such to be material, we will reflect such expected cost increase in preparation of the bills of quantities or schedule of rates which would form part of the tender document.

Our Directors consider that it is of utmost importance to estimate project cost accurately as the unit price of our work at our concrete placing projects are fixed such that unexpected adverse fluctuation in price or budget overrun may result in diminished project return or even a loss.

Based on the experience of our management team, we arrive at our best estimate of the time and costs involved in a project in order to determine our tender price and there is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of our projects. Nevertheless, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material loss-making projects as a result of material inaccurate estimation or cost overruns.

During the Track Record Period, we recorded aggregate gross loss of approximately HK\$1,570,000 in 3 projects, of which each of them contributed less than HK\$5.0 million to our revenue during the Track Record Period. All the 3 projects were completed as at the Latest Practicable Date, of which 1 of the 3 projects was overall profit-making based on the latest unaudited management account of the Group.

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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:

Duration : The period within which the project has to be completed. A contract typically commences on the date when we are allowed to commence works at the construction site. Depending on the nature and complexity of a project, number of floors, buildings and phases involved in a concrete placing project and 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 typical concrete placing project (from the date of engagement to the date of completion) could generally range from approximately eight months to two years. 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 will perform under the contracts, for details please refer to paragraph headed “Our concrete placing and ancillary services – Concrete placing services” in this section.

Contract sum : The contract sum is represented in a provisional sum which is subject to remeasurement and valuation according to the bills of quantities included in the contract and is further subject to any variation orders or additional works to be performed by us.

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.

In general, there is no specific clauses in relation to price adjustment in our contracts with our customers.

Payment terms : We generally submit to our customers a written statement of the value of all works done under the contract with the payment application on a monthly basis. The credit period granted to customers ranges from 14 to 60 days in general from our application of interim payment to our customer.

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- Variation orders* : Variation by executing additional or modification works as may be ordered by the customer. All work executed by us as a result of such variations shall be valued between the quantity surveyor of the customers and us in accordance with the principles that, among other things, any additional work carried out which is similar in character to and executed under similar conditions to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work.
- Retention money* : Our customers may hold up a certain percentage of each interim payment made to us as retention money. In general, our customers may retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for a project. 50% of the retention money withheld is normally released to us after completion of a project and the remaining retention money is normally released after the expiry of the defects liability period.
- 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 material liquidated damages had been claimed by our customers against us by reason of late completion of any of the contracts undertaken by us.
- Indemnities* : Pursuant to most of our contracts, we shall indemnify our customers against all liabilities for bodily injury, damage to property, penalties, proceedings, damages, cost, charges and expenses which may arise out of or in connection with execution of our work being in breach of any applicable laws or regulation, unless the aforementioned liabilities or claims are caused solely by the wrongful acts or omissions of our customers. For any criminal charges against our Group due to non-compliance of applicable laws and regulations in relation to safety, health and environment by our subcontractors' employees, we are generally entitled under the terms of the subcontracting agreement between us and our subcontractors to claim against our Group's subcontractors for any losses, liabilities, costs and expenses resulting from such criminal charges or convictions. Our Directors confirm that we had not experienced any material claims by our customers arising from breach of contracts during the Track Record Period and up to the Latest Practicable Date.

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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.

Default : We may be held in default of the contract if we, among other things:

- abandon the contract; or
- without reasonable cause wholly suspend the carrying out of the works before completion; or
- fail to proceed regularly and diligently with the works; or
- become bankrupt or make a composition or arrangement with our creditors or have a winding up order made or a resolution for voluntary winding up passed.

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

Defects liability period : We are required to remain responsible for remedying any defects or imperfections discovered in relation to our works done for a certain period, which is generally 12 months, after completion of our contracts. Please refer to the paragraph headed "Operation flow – Defects liability period and release of remaining retention money" in this section above for further details.

Credit policy

We generally submit to our customers a written statement of the value of all works done under the contract with the payment application on a monthly basis. The credit period granted to customers ranges from 14 to 60 days in general from our application of interim payment to our customer. In practice, upon receiving such statement with our payment application, the architect and/or quantity surveyor of our customer shall assess our estimation and issue an interim certificate certifying the works completed in the preceding month. In general, such interim certificate were issued within 5 – 21 days from the date of

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our payment application. Our customer will then make payment based on the certified amount less any retention money. Payments will normally be made by our customers within 7 – 14 days from the date of the issuance of the interim certificate.

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

- Customer acceptance procedures are 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 with the assistance of independent consultant if necessary, doing appropriate searches to ascertain the potential customer's credibility.
- Material overdue payments are monitored continuously and evaluated on a case-by-case basis as to the appropriate follow-up actions having regard to the customer's normal payment processing procedures, our relationship with the customer, 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 – Description of certain items of combined 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 concrete services industry in Hong Kong does not exhibit any significant seasonality.

SUPPLIERS

Characteristics of our suppliers

During the Track Record Period, suppliers of goods and services to our Group mainly include suppliers of goods such as machinery parts and consumables e.g. diesel fuels and other miscellaneous accessories including personal protective equipment used by our on-site workers e.g. reflective vests and safety helmets and services such as machinery rental service, repair, maintenance and transportation service for our machinery and equipment.

We generally order the relevant concrete placing related materials and services on a project-by-project basis and therefore do not enter into any long-term supply agreements with our suppliers of goods and services. During the Track Record Period, we did not

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encounter any material difficulty in sourcing supplies based on our needs. We are usually responsible for sourcing supplies for our projects and we are able to choose our own suppliers for our projects.

In general, there was no specific credit term granted by our suppliers but we usually take 7 to 30 days to settle our payables.

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.

Please refer to the section headed “Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – Costs of sales” in this prospectus for a discussion of the trend in our purchases from our suppliers during the Track Record Period. During the Track Record Period, our suppliers were mostly located in Hong Kong and our purchases are mostly denominated in HK dollars.

Basis of selection of suppliers

We maintain an internal list of approved suppliers. We carefully evaluate the performance of our suppliers and select them based on a number of factors such as their prices, quality, past performances and timeliness of delivery. We will review and update our internal list of approved suppliers according to our assessment of their performance on a continuous basis.

Prices of supplies

Prices 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 factored 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

Our Directors believe that we have maintained good business relationships with our suppliers.

For the three years ended 31 March 2016, the percentage of our purchase from our largest supplier amounted to approximately 3.8%, 5.5% and 5.4% of our total purchase, respectively, while the percentage of our purchase from our five largest suppliers combined amounted to approximately 16.0%, 16.3% and 15.1% of our total purchase, respectively.

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Set out below is a breakdown of our total purchase from 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 of the supplier	Type of goods or services purchased by us from the supplier	Approximate year(s) of business relationship	Credit terms	Payment method	Purchase by us from the supplier	
							HK\$'000	%
1	Supplier A	A PRC company which principally provides machinery parts	Concrete pump parts	2	N/A ^(Note)	Bank transfer	1,959	3.8
2	Supplier B	A Hong Kong company which principally provides diesel	Diesel	3	N/A ^(Note)	Cheque	1,828	3.5
3	Supplier C	A PRC company which principally provides machinery parts	Concrete pump parts	2	N/A ^(Note)	Bank transfer	1,807	3.5
4	Supplier D	A Hong Kong company which principally supplies diesel	Diesel	6	N/A ^(Note)	Cheque	1,364	2.6
5	Supplier E	A Hong Kong company which principally provides transportation services	Transportation services	6	N/A ^(Note)	Cheque	1,349	2.6
Five largest suppliers combined							8,307	16.0
Others							43,573	84.0
Total purchase							51,880	100.0

Note: Purchases are generally made without presumed credit term for these suppliers.

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For the year ended 31 March 2015:

Rank	Supplier	Principal business of the supplier	Type of goods or services purchased by us from the supplier	Approximate year(s) of business relationship	Credit terms	Payment method	Purchase by us from the supplier	
							HK\$'000	%
1	Supplier B	A Hong Kong company which principally provides diesel	Diesel	3	N/A ^(Note)	Cheque	2,912	5.5
2	Supplier E	A Hong Kong company which principally provides transportation services	Transportation services	6	N/A ^(Note)	Cheque	2,257	4.3
3	Supplier F	A Hong Kong company which principally provides machinery parts	Concrete pumps parts, pipes and miscellaneous parts	2	N/A ^(Note)	Bank transfer	1,366	2.6
4	Supplier G	A PRC company which principally supplies machinery parts	Concrete pump parts	4	N/A ^(Note)	Bank transfer	1,119	2.1
5	Supplier C	A PRC company which principally provides machinery parts	Concrete pump parts	2	N/A ^(Note)	Bank transfer	920	1.8
Five largest suppliers combined							8,573	16.3
Others							<u>43,943</u>	<u>83.7</u>
Total purchase							<u>52,516</u>	<u>100.0</u>

Note: Purchases are generally made without presumed credit term for these suppliers.

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For the year ended 31 March 2016:

Rank	Supplier	Principal business of the supplier	Type of goods or services purchased by us from the supplier	Approximate year(s) of business relationship	Terms offered	Payment method	Purchase by us from the supplier	
							HK\$'000	%
1	Supplier F	A Hong Kong company which principally provides machinery parts	Concrete pumps parts, pipes and miscellaneous parts	2	N/A ^(Note)	Bank transfer	4,960	5.4
2	Supplier E	A Hong Kong company which principally provides transportation services	Transportation services	6	N/A ^(Note)	Cheque	3,253	3.5
3	Supplier H	A Hong Kong company which principally supplies construction materials	Concrete surface hardener and related materials	1	30 days post dated cheque	Cheque	2,385	2.6
4	Supplier B	A Hong Kong company which principally provides diesel	Diesel	3	N/A ^(Note)	Cheque	2,125	2.3
5	Supplier I	A Hong Kong Company which principally provides construction waste management services	Transportation of construction waste	3	N/A ^(Note)	Cheque	1,179	1.3
Five largest suppliers combined							13,903	15.1
Others							78,255	84.9
Total purchase							<u>92,158</u>	<u>100.0</u>

Note: Purchases are generally made without presumed credit term for these suppliers.

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 suppliers of our Group during the Track Record Period.

Subcontractors

It is a common industry practice for subcontractors to further subcontract part of their works to other subcontractors. Subject to our capacity, resources level, types of concrete placing works, cost effectiveness, complexity of the projects and customers' requirements, we may subcontract part of our works such as concreting works, sundry works, cleaning works and finishing and screeding of concrete to other third party 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.

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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.

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. For the three years ended 31 March 2016, our Group's subcontracting charges amounted to approximately 14.2%, 11.7% and 13.1% of our Group's total cost of sales, respectively.

Basis of selection of subcontractors

We maintain an internal list of approved 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, timeliness of delivery, reputation and safety performance. We will review and update our internal approved list of subcontractors according to our assessment of their performance on a continuous basis.

Major terms of engagement with our subcontractors

We generally 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:

- | | | |
|--|---|--|
| <i>Contract period</i> | : | The duration of the subcontracting agreement is in line with the duration of the main contract between us and our customer. |
| <i>Rights and obligations of the subcontractor</i> | : | A subcontractor is required to comply with the relevant terms and perform its works in accordance with the specifications under the main contracts. |
| <i>Subcontracting fee</i> | : | The subcontracting fee to be received by the subcontractor is usually represented in a provisional sum, which is subject to remeasurement and valuation according to the bills of quantities included in the subcontract and further subject to any variation orders or additional works to be performed by the subcontractors with our prior consent. There is no price adjustment clause in the subcontracts between our Group and our subcontractors. |

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- Payment terms* : For interim payments, our subcontractors are required to provide us with a payment application setting out the details of the completed work on a monthly basis and we generally pay our subcontractors within 30 days.
- Retention monies and maintenance period* : We may hold up a certain percentage of each interim payment made to the subcontractors as retention money. Such percentage generally ranges from 5% to 10%, subject to a ceiling of up to 5% of the total contract sum for the project. Unless otherwise agreed, the retention monies or such portion thereof shall be held for twelve months after the satisfactory completion of the subcontracting works. During this period, the subcontractor shall keep its work in repair or make good any faulty work at his own expense.
- 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

The Company will be liable for claims and litigations arising from accidents of the subcontractors' employees engaged in its projects. Hence, it is imperative for us 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, occupational and safety management and environmental compliance. During project implementation, our site agent and other site staff conduct daily inspection to review and monitor work progress, supervise workmanship and work quality of our subcontractors. Our safety supervisor also conduct inspection to monitor our subcontractors' compliance of occupational safety and environmental measures every week. If a subcontractor or its workers are in breach of our safety rules, we will issue warning letter to remind them of the importance of compliance of the relevant safety rules. If they are found in repeated breach, we will request the relevant workers of the subcontractor to suspend work and leave the construction site. Furthermore, we have established a subcontractor performance assessment form to analyse the performance of our subcontractors. 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 compliance" in this section.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between our Group and our customers with respect to the quality of work performed by us and our subcontractors.

BUSINESS

Major subcontractors

Set out below is a breakdown of our purchase from our five largest subcontractors during the Track Record Period and their respective background information:

For the year ended 31 March 2014:

Rank	Subcontractor	Principal business of the subcontractor	Type of services purchased by us from the subcontractor	Approximate year(s) of business relationship	Credit terms	Payment method	Purchase by us from the subcontractor	
							HK\$'000	%
1	Subcontractor A	A Hong Kong company which principally provides engineering services	Sundry works	6	N/A <i>(Note)</i>	Bank transfer	10,778	20.8
2	Subcontractor B	A Hong Kong company which principally provides engineering services	Finishing and screeding of concrete	5	N/A <i>(Note)</i>	Bank transfer	5,073	9.8
3	Subcontractor C	A Hong Kong company which principally provides engineering services	Sundry works	3	N/A <i>(Note)</i>	Bank transfer	1,355	2.6
4	Subcontractor D	A Hong Kong company which principally provides engineering services	Concrete works	3	N/A <i>(Note)</i>	Bank transfer	1,109	2.1
5	Subcontractor E	A Hong Kong company which principally provides engineering services	Concrete works	3	N/A <i>(Note)</i>	Bank transfer	961	1.9
Five largest subcontractors combined							19,275	37.2
Others							32,605	62.8
Total purchase							51,880	100.0

Note: Purchases are generally made without presumed credit term for these subcontractors.

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For the year ended 31 March 2015:

Rank	Subcontractor	Principal business of the subcontractor	Type of services purchased by us from the subcontractor	Approximate year(s) of business relationship	Credit terms	Payment method	Purchase by us from the subcontractor	
							HK\$'000	%
1	Subcontractor C	A Hong Kong company which principally provides engineering services	Sundry works	3	N/A ^(Note)	Bank transfer	10,096	19.2
2	Subcontractor A	A Hong Kong company which principally provides engineering services	Sundry works	6	N/A ^(Note)	Bank transfer	6,811	13.0
3	Subcontractor B	A Hong Kong company which principally provides engineering services	Finishing and screeding of concrete	5	N/A ^(Note)	Bank transfer	5,081	9.7
4	Subcontractor D	A Hong Kong company which principally provides engineering services	Concrete works	3	N/A ^(Note)	Bank transfer	1,504	2.9
5	Subcontractor F	An individual whom principally provides engineering services	Concrete works	3	N/A ^(Note)	Bank transfer	1,221	2.3
Five largest subcontractors combined							24,713	47.1
Others							27,803	52.9
Total purchase							52,516	100.0

Note: Purchases are generally made without presumed credit term for these subcontractors.

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For the year ended 31 March 2016:

Rank	Subcontractor	Principal business of the subcontractor	Type of services purchased by us from the subcontractor	Approximate year(s) of business relationship	Credit terms	Payment method	Purchase by us from the subcontractor	
							HK\$'000	%
1	Subcontractor C	A Hong Kong company which principally provides engineering services	Sundry works	3	N/A ^(Note)	Bank transfer	19,308	21.0
2	Subcontractor A	A Hong Kong company which principally provides engineering services	Sundry works	6	N/A ^(Note)	Bank transfer	16,185	17.6
3	Subcontractor B	A Hong Kong company which principally provides engineering services	Finishing and screeding of concrete	5	N/A ^(Note)	Bank transfer	3,991	4.3
4	Subcontractor G	A Hong Kong company which principally provides engineering services	Sundry works	6	N/A ^(Note)	Bank transfer	3,945	4.3
5	Subcontractor H	A Hong Kong company which principally provides engineering services	Setting up, installing, dismantling, repairing and maintenance of concrete pumps, daily security patrol of pumps	1	N/A ^(Note)	Bank transfer	3,567	3.9
Five largest subcontractors combined							46,997	51.0
Others							45,161	49.0
Total purchase							<u>92,158</u>	<u>100.0</u>

Note: Purchases are generally made without presumed credit term for these subcontractors.

During the Track Record Period, we engaged two of our connected persons as our subcontractors for the provision of concrete pouring and management services on normal commercial terms and in ordinary course of our business. Subcontractor F is a sole proprietor owned by Mr. Cheung's brother whereas the Subcontractor D is a company incorporated in Hong Kong and controlled by Mr. Cheung's brother-in-law and sister. We engaged these two subcontractors principally because of their service quality, experience and track record in the provision of concrete pouring and management services. For the three years ended 31 March 2016, the total subcontracting charges paid to these two subcontractors amounted to approximately HK\$2.0 million, HK\$2.7 million and HK\$2.8 million, respectively. Our Directors confirm that as at the Latest Practicable Date, our subcontracting arrangement with these two subcontractors had ceased.

Save as disclosed above, 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 subcontractors of our Group during the Track Record Period.

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Inventories

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

MACHINERY

Type of machinery and equipment

Most of the works involved in our concrete placing projects require the use of specialised machinery and equipment. We have been investing substantial amount in acquiring a broad range of machinery and equipment, most of which are manufactured in the PRC. We believe that our investment in machinery and equipment has placed us in a strong position to proactively exploit market opportunities and compete in a cost-effectively way for concrete placing projects of different scale. Our direct control over our machinery and equipment also allows us to avoid over-reliance on leasing from external parties. Our Directors also consider that the possession of our own machinery and equipment allows us to devise suitable works schedules and methods tailored to different needs and requirements of different customers and enables us to efficiently and effectively schedule our projects and deploy our manpower.

For the three years ended 31 March 2016, we acquired new machinery in the amount of approximately HK\$8.0 million, HK\$25.2 million and HK\$3.8 million at cost, respectively. As at 31 March 2016, our machinery carried a net book value of approximately HK\$31.4 million.

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The following table sets out the principal machinery required for our Group's concrete placing works and their background information as at 31 March 2016:

Machinery	Number of units	Function and usage	Appropriate weighted average remaining useful life (years) <i>(Note)</i>	Average age (years)	Acquisition costs <i>HK\$'000</i>	Net book value as at 31 March 2016 <i>HK\$'000</i>
Boom pumps	16	A truck-mounted pump conveying the concrete from the mixer and placing the concrete directly on multi-storey levels	2.7	3.2	59,749	22,673
Stationary pumps	7	A non-movable pump loading the concrete on the ground level to a multi-storey levels through pipes for further handling	0	9	3,274	0
Truck-mounted concrete pumps	13	A movable pump loading the concrete on the ground level to a multi-storey levels through pipes for further handling	3.3	2.2	9,712	5,610
Placing booms	16	A machinery that is connected with stationary pumps or truck-mounted concrete pumps through pipes and operates on the top floors to place the concrete concisely at its final position.	3.6	4.6	6,015	2,543
Total:					78,750	30,826

Note: The weighted average remaining useful life of our machinery as set out in the above table is based on the weighted average of the remaining depreciable period of each unit of machinery determined in accordance with our applicable accounting policies, under which the depreciation is calculated using the straight line method to allocate their costs to their residual values over the estimated useful lives. The principal annual rates used for calculation of depreciation for our machinery are 20%. When the machinery is fully depreciated, the remaining useful life will be zero and results in a lower weighted average remaining useful life.

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Strategic cooperation with Zoomlion

In July 2013, Kam Fung, our key operating subsidiary, entered into a strategic cooperation agreement (the “**Cooperation Agreement**”) with Zoomlion International Trading (HK) Co., Ltd. (中聯重科國際貿易(香港)有限公司) (“**Zoomlion**”), a subsidiary of Changsha Zoomlion Heavy Industry Science & Technology Development Co., Ltd. which is a Chinese manufacturer of construction machinery listed in Hong Kong and an independent third party. The salient terms of the Cooperation Agreement are as follows:

- *Term:* 3 years from 9 July 2013 to 8 July 2016
- *Exclusivity:* Kam Fung agreed to purchase concrete placing machinery exclusively from Zoomlion during the term of the Cooperation Agreement. We are not subject to any minimum purchase commitment under the Cooperation Agreement.
- *Discount to purchase price:* Zoomlion agreed to offer Kam Fung a discount for purchase of concrete placing machinery from time to time and ensure the purchase cost incurred by Kam Fung to be the lowest among its clients in Hong Kong for the same model of machinery.
- *Additional warranty period:* Zoomlion agreed to provide Kam Fung with an additional one-year warranty on top of the standard warranty given to ordinary purchasers.
- *Sharing of market information:* Zoomlion and Kam Fung shall share market information on concrete services industry with each other during the term of the Cooperation Agreement.

Our strategic cooperation with Zoomlion allows our Group to leverage the strength, resources and expertise of Zoomlion to achieve synergy through sale and purchase of concrete placing machinery on favourable terms. During the term of the Cooperation Agreement, we had placed our purchase order to Zoomlion for the concrete placing machinery in the amount of approximately HK\$42.8 million. Our Directors do not plan to renew the Cooperation Agreement with Zoomlion but will continue our business relationship with them for purchase of concrete placing machinery on order-by-order basis on normal commercial terms after arm’s length negotiations between Zoomlion and our Group. Our Directors consider that the discontinuation of the Cooperation Agreement with Zoomlion will not materially affect our competitiveness and market position as a leading concrete services provider in Hong Kong.

Lease of machinery and equipment

With the possession of our own machinery and equipment, we do not have to heavily rely on our suppliers for machinery rental services. During the Track Record Period, we leased certain machinery and equipment from independent third parties after considering the utilisation of our machinery and the progress of our projects. For the three years ended 31 March 2016, our machinery and equipment rental cost incurred amounted to approximately HK\$1.5 million, HK\$0.5 million and HK\$0.6 million, respectively. To cope with our needs

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for the projects on hand and newly awarded projects and our intention to rely less on external parties on machinery rental, we intend to acquire additional concrete placing machinery and equipment using the net proceeds raised from Share Offer. Please refer to section headed “Future plans and use of proceeds” of this prospectus for further details on the use of proceeds for acquisition of additional machinery and equipment for our expansion.

Repair and maintenance

We place high importance to the maintenance of our machinery and equipment, as we believe that their condition is crucial for us to carry out our projects smoothly and efficiently and is, in particular, directly related to the safety of our workers. We engage independent third parties to repair and maintain our machinery on a regular basis. Besides, our principal machinery including boom pumps, stationary pumps, truck-mounted concrete pumps and placing booms are subject to routine inspection and maintenance procedures including, among others, (i) daily cleaning of filters and injection of lubricants; (ii) weekly and bi-monthly inspection on the connection of machinery parts and wear inspection on the wear plates, cutting rings and concrete pumps; and (iii) quarterly full maintenance check.

For the three years ended 31 March 2016, our repair and maintenance expenses amounted to approximately HK\$3.3 million, HK\$3.3 million and HK\$1.3 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material work interruption due to malfunction of our machinery.

Age and replacement cycle of machinery

Our Directors consider that as at the Latest Practicable Date, our existing machinery (including those whose useful life has almost reached the end of 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 principal machinery for concrete placing was approximately 4.8 years as at 31 March 2016. The weighted average remaining useful life of our principal machinery for concrete placing based on accounting estimation was approximately 2.4 years as at 31 March 2016. We replace aged machinery only when it is imperative to do so. It is our Group’s plan to utilise proceeds from the Share Offer of approximately HK\$23.0 million to acquire additional boom pumps and placing booms and related parts to further to expand our fleet of concrete placing machinery and maintain our current machinery in good shape to cope with the expansion of Hong Kong concrete services industry in future. Our Group will also continue to evaluate the operating condition, effectiveness and efficiency of our machinery and assess our need for additional machinery in view of our business development.

Safekeeping of machinery

Machines that are in use at work sites are kept and secured by the general management of the respective work sites. During the Track Record Period, we leased certain properties situated at Lot No. 3025 in D.D. 111, Chi Ma Leng, Wang Toi Shan, Pat Heung, Yuen Long,

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New Territories for storage of machinery and equipment. Such lease has expired and was not renewed. Given the number of our projects on hand and the availability of our machinery for such projects, all of our machinery are deployed in different construction sites and no storage of idle machinery is required. Our Directors envisage that in anticipation of the new business opportunities and the growing demand for our Group's services, the additional machinery that we plan to purchase will be quickly deployed to different construction sites and none of them is expected to be in idle state for storage. In the unlikely event that our machinery and equipment become idle in the future, we plan to enter into lease arrangement with independent service provider to store such machinery and equipment on such leased area within the permitted use under the relevant land-use zoning plan and applicable laws and regulations.

Financing arrangements for the purchase of machinery

Taking into account our liquidity position and capital need, during the Track Record Period, our Group purchase machinery through finance leases. In considering whether to enter into finance lease arrangements in acquisition of machinery, 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. As at 31 March 2014, 2015 and 2016, the effective interest rates ranged from 4.3% to 8.4%, from 3.8% to 8.4% and from 3.8% to 8.4% per annum, respectively, for our finance leases.

Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the 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 machinery under finance leases with net book value amounting to approximately HK\$26.7 million, HK\$40.2 million and HK\$27.1 million as at 31 March 2014, 2015 and 2016, respectively, representing approximately 96.9%, 96.0% and 86.3% of the total net book value of our machinery 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 for the following reasons:

- (a) Different types of machinery and equipment have different functions and are 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.
- (b) The utilisation rate of each machinery cannot be clearly defined. A typical concrete placing work requires the use of different machinery in different stages, and machinery from time to time may be left unused in active construction sites pending for completion of other stages. Moreover, concrete placing schedule and quantity of concrete placing works on a given day are not fixed by us. Machinery is sometimes left unused for repair or maintenance.

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- (c) As set out in the fixed asset register of our Group as at 31 March 2016, we had more than 190 units of machinery of various types, sizes and capacities. Given the number of machinery owned by our Group, it is impracticable for our Group to track in details the usage of each individual machinery.

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

Rental income from lease of machinery

Our machinery are usually mobilised among the construction sites. Occasionally, our machinery are leased to main contractors or subcontractors. During the Track Record Period, we leased our machinery to third parties if the machinery was not immediately required for other projects during the relevant period. Prior to entering into any leasing arrangements, we will evaluate whether such arrangement would impede our Group's ability to complete the ongoing projects and to compete for any potential concrete placing projects in future. We do not actively seek or intend to actively pursue business opportunities in machinery leasing, as such activities are conducted only for increasing utilisation of idling resources. Our rental charges are determined by duration and rate of usage and whether operator for the machinery is required.

The salient terms of our machinery leasing agreement with customers include the following:

- Type and quantity of machinery for lease
- Rental charge payable by the customer and manner of payment
- Operation hours of the machinery
- The customer is responsible for sourcing diesel oil to fuel the machinery
- The customer is responsible for taking out sufficient insurance to cover any loss and damage to the machinery arising from accident that takes place on the construction site
- Customer is required to settle rental charges within 30 days after issue of invoice.

For each of the three years ended 31 March 2016, our Group derived income of approximately HK\$2.1 million, HK\$1.2 million and HK\$0.6 million, respectively, from machinery leasing and recorded in our other income during the same period which our Directors consider to be immaterial.

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 since May 2015. To conform to the standard, we have in-house quality assurance requirements that specify, 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, project planning, project management and supervision, quality inspection procedures and standards, subcontracting requirements, accident reporting and handling of complaints. Our workers and our subcontractors are required to follow such procedures. Mr. Chau Wai Kwong, our assistant general manager (projects), is responsible for managing our quality management system. For the background and industry experience of Mr. Chau Wai Kwong, please refer to the section headed “Directors and senior management” in this prospectus.

Quality control on our services

To ensure that our works meet the required standard, we normally assign one site agent on a full time basis at each of the construction sites as the first line of monitoring the quality of concrete placing works done by our own staff and, as the case may be, our subcontractors. Mr. Chau Wai Kwong, our assistant general manager (projects), makes regular visits to construction sites and monitors the work quality, the progress of work and ensure that works are completed according to schedule and standard.

Furthermore, our project management teams communicate frequently with our executive Directors who closely monitor the progress of each project and discuss identified issues to ensure the concrete placing works (i) meet our customers’ requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant codes and regulations applicable to the works. Furthermore, we would conduct thorough on-site inspection to ensure that all concrete surfaces are well compacted, tamped to the correct level in accordance with the setting out marks and lines provided by the main contractor, not honeycombed or defective due to inadequate workmanship in concrete placing.

Quality control on concrete placing related materials and machinery

We closely monitor the quality of purchased materials and machinery. To ensure the quality of supplies, prior to ordering, Mr. Fung Chi Chung, our executive Director, will ensure that the materials are sourced from our approved suppliers to ensure the overall quality of supplies. Upon arrival of the ordered materials, all materials are sent directly to the relevant work sites for inspection by our site agent 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. 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 project sites and verify the specifications from time to time.

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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 safety and environmental team under the supervision of Mr. Jack Yeung, our assistant general manager (administration), 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 since May 2015 as a recognition of the policies and procedures undertaken by our Group to address potential health and safety issues on our sites.

Occupational health and work safety measures

Due to the nature of works in the construction industry, workers at the sites are prone to safety hazards. In order to provide a safe and healthy working environment for our employees and our subcontractors and to ensure compliance with the applicable laws and regulations in Hong Kong, we implement our safety control policy at the commencement and during the implementation period of each project.

Our safety control policy is documented in writing and supplemented with instructions, training and demonstrations. We require strict implementation of and adherence to our safety control policy. Our safety and environmental department is responsible for monitoring and implementing our safety plan. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce our risks related to safety issues.

Our safety policy adopted and used during the Track Record Period sets out work safety measures to prevent common accidents which could happen at work sites. Some details of our safety plan are set out below:

- Mr. Jack Yeung, our assistant general manager (administration), is responsible for (i) establishing, approving and ensuring implementation of the safety plan and review the safety plan on an annual basis; (ii) arranging quarterly management meetings to review the implementation of safety policy; (iii) advising our management on the legal requirements affecting safety and health; (iv) anticipating possible hazards and recommending relevant procedures; and (v) carrying out surveys and inspections to ensure that all relevant laws and regulation are being observed;

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- Mr. Chau Wai Kwong, our assistant general manager (projects), is responsible for (i) supervising our site agent for each project to ensure from the planning stage that safety systems of work are incorporated into our proposed concrete placing methods, and are subsequently adhered to; (ii) assisting to review the safety plan on an annual basis; (iii) providing safety monthly reports to our management; (iv) providing statistics and analysis on accidents and making recommendations for improvement; and (v) visiting our works sites on a daily basis;
- our assistant safety officers shall (i) report and investigate accidents and dangerous occurrence, determine the causes and recommend means of preventing recurrence; and (ii) arrange safety training for all levels of employees and promote awareness of accident prevention;
- our safety supervisors shall (i) ensure our compliance with relevant statutory duties and submit weekly reports to the safety officer; (ii) give instructions to site agent and subcontractors on correct and safe working practices with the assistance of the registered safety officer; and (iii) take disciplinary actions against employees violating safety regulations and/or our safety procedures;
- our site agents shall ensure that all plants, machinery and equipment at the workplace conform with the relevant statutory requirement; and co-operate with the safety officers/assistant safety officers to create good safety practices and ensure that all newcomers to the construction sites are aware of their safety obligations;
- all site personnel shall undergo initial induction training covering core topics such as safety plan, relevant health and safety regulations, emergency, rescue and typhoon procedure, hazards of the site, accident reporting and first aid procedures held by our customers for at least half a day before they are allowed to enter into the construction sites. Other matters pertinent at the time of induction, such as working at height, lifting operations will also be included. All supervisory personnel and operators will attend refresher courses at intervals of not exceeding twelve months; and
- our safety plan also sets out a safety monitor system which includes (i) safety walk, an unscheduled examination of a working area, which is frequently undertaken as a group exercise by our site agent, safety officer, safety supervisors and the relevant subcontractor's representative to assess general compliance with safety requirements; and (ii) safety inspection, a scheduled inspection of premises or working area conducted by our assistant safety officers and safety supervisors to assess levels of legal compliance and observation of our safety procedures on a weekly basis.

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) (the “**Safety Management Regulation**”), any contractor carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in a single or two or more construction sites is obliged to appoint a registered safety auditor

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to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. During the Track Record Period, our Group appointed registered safety auditor to conduct several safety audits on Kam Fung and Sang Fu, our key operating subsidiaries, and the respective projects undertaken by us as required under the Safety Management Regulation. These audits revealed that the safety management system adopted by our Group was in compliance with the requirements under the Safety Management Regulation.

To further enhance our employees' awareness in work safety, in February 2015, we engaged an external safety consultant to advise us on the general safety policy of our Group. The external safety consultant team includes a chartered member of the Institution of Occupational Safety and Health of the United Kingdom. The external safety consultant conducted a review on our occupational health and safety policy with a view to assisting our Group to (i) comply with the statutory obligations, (ii) improve employees' occupational health and safety, (iii) enhance hazard identification and risk control capabilities, and (iv) encourage the identification, sharing and implementation of best practice.

After its review of our Group's existing safety management system, the external safety consultant is of the view that there is no material deficiency in our safety management system and concluded that our Group has adequate and effective safety control system in compliance with relevant laws and regulations.

Furthermore, the external safety consultant assisted our Group to complete the certification audit of OHSAS18001:2007 in May 2015 which helps our Group to (i) identify and control health and safety risks, (ii) reduce the potential risks for accidents, (iii) aid legal compliance, and (iv) improve overall safety performance.

System of recording and handling accidents and our safety compliance record

As a subcontractor, we require our workers or employees or our subcontractors to report any accident to us and we will report the same to the main contractors and Labour Department. To ensure proper recording and handling of work injuries, we follow a general procedure as below:

- Fact finding and follow-up actions
 - Our assistant safety officer together with our safety officer will investigate the accident by visiting the accident scene, examining the equipment and/or material involved and taking statements from the injured worker, witness(es) of the accident and other personnel in relation to the project.
 - Remedial actions will be taken by our project management team to remove imminent danger and to prevent occurrence of similar accidents in the future. Our safety officer will work with our assistant safety officer to carry out follow-up inspection to ensure that remedial works are implemented.

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- Reporting
 - Our assistant safety officer will assist our safety officer to prepare a work injury report and, if it is an employee injury reportable case, submit it to our customer and the Labour Department 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 7 days after the accident.

- Settlement
 - Settlement of any claim will be handled by our customers.

During the Track Record Period and up to the Latest Practicable Date, there were 74 accidents which gave rise or may give rise to potential employees’ compensation claims and common law personal injury claims. All of these accidents occurred in Hong Kong and had been reported to the Labour Department.

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The table below sets out the nature of the 74 accidents occurred during the Track Record Period and up to the Latest Practicable Date:

Nature of accident	Circumstances leading to occurrence of the accident	Nature of Injury	Number of Accidents per nature of injury	Total number of Accidents
1. Slipped, trip or fall on same level	Not pay attention to site environment	Ankle fracture and bilateral ankle injury	2	
		Leg and wrist contusion	1	
		Knee and upper arm contusion	1	
		Knee contusion or pain	5	
		Patella fracture	1	
		Foot sprain	1	
		Shoulder contusion and pain, or sprain	2	
		Surgical illness and chest wall wound pain	1	
		Distal radius fracture	1	
		Wrist injury or fracture	3	
		Metacarpal fracture	1	
		Sacral sprain	1	
		Back pain, crush or sprain	3	
		Thigh numbness	1	
		Misuse/Careless to use the tools	Calcaneum fracture	
Metatarsal fracture	1			
Incurred by third party(ies):				
Quarrel with colleague		Hip Contusion	1	
Tilt between lift shaft working platform and lift shaft wall		Ankle sprain	1	28

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Nature of accident	Circumstances leading to occurrence of the accident	Nature of Injury	Number of Accidents per nature of injury	Total number of Accidents
2. Injured whilst lifting or carrying	Fail to follow the procedure set by our Group	Foot second metatarsal fracture	1	
		Foot contusion and bruise	1	
		Toe pain and fracture	2	
		Ankle pain and hand abrasion	1	
		Finger fracture, wound and laceration	6	
		Forearm sprain	1	
		Back sprain and pain	5	
		Chest wall contusion	1	
		Not pay attention to the environment	1	
	3. Trapped in or between objects	Misuse/Careless to use the tools	Finger tendon rupture and fracture and finger fracture	
Finger partial amputation, hypersensitive and pain			1	
Finger crushed			1	
Incurred by third party(ies):				
Falling debris from high level thrown by others		Finger numbness	1	
Flipping down chute extension by another driver		Hand laceration	1	7
4. Fell from height	Fail to follow the procedure set by our Group	Head and back injury	1	
		Incurred by third party(ies)		
	Collapse of floor slab formwork and falsework by carpenter	Low back pain and knee pain	1	
		Fibula fracture	1	
	Back contusion and fracture	2	5	

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Nature of accident	Circumstances leading to occurrence of the accident	Nature of Injury	Number of Accidents per nature of injury	Total number of Accidents
5. Striking against objects	Not pay attention to site environment	Toe fracture	1	
		Ankle sprain	1	
		Hand fracture	1	
		Rib fracture	1	
	Misuse/Careless to use the tools	Tooth fracture	1	
				5
6. Exposure to or contact with harmful substance	Fail to follow group procedure	Corneal abrasion	1	1
7. Contact with moving machinery or object being machined	Misuse/Careless to use the tools	Metatarsal fracture	1	1
8. Others:				
(i) Contact with non-harmful substance	Fail to follow the procedure set by our Group	Thumb weakness, wrist and finger pain and stiffness	1	
		Chemical scald leg	1	
		Forearm and leg irritation	1	
		Corneal abrasion	1	
(ii) Contact with tool	Misuse/Careless to use tools	Thigh cut	1	
		Incurred by third party(ies):		
(iii) Stepping on objects	Not pay attention to site environment	Hit by concrete pipe moved by another worker	1	
		Hand contusion	1	
		Wrist and hand injury	1	8
Total				74

72 accidents mentioned above involved workers who were employees of our Group as at the date of the accidents and 2 accidents involved employees of a supplier which leased machinery to our Group as at the date of accidents. To the best knowledge of the Directors, no accident was occurred to workers of self-employed and workers of subcontractors who were engaged by our Group during the Track Record Period.

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For further details of outstanding litigation and potential claims relating to employees' compensation claims under the Employees' Compensation Ordinance or personal injuries claims under common law, please refer to the paragraph headed "Litigation and potential claims" in this section.

We adopt the following safety measures to prevent the occurrence of similar accidents:

Nature of accident	Safety control measures implemented	Additional safety control measures/ requirements implemented
1. Slipped, trip or fall on same level	We require our workers to put all objects and materials orderly in the specified location securing the tidiness of the work site. The workers are required to wear safety footwear and be aware of slippery floor.	To further improve our safety control, we have further enhanced our internal safety trainings as well as our supervision on the implementation of internal safety guidelines by our direct employees and subcontractors by the end of August 2016. We have increased our inspection frequency from bi-weekly to once a week to enhance the safety monitoring on the site in all sites where our direct employees and subcontractors are working at starting from mid of August 2016. In addition, we have employed two additional safety supervisors in September 2016 for site inspection. The inspection focuses on checking whether our direct employees and subcontractors have implemented our safety guidelines, such as whether they have worn adequate safety equipment including safety footwear, gloves, goggles and safety harness and whether guardrail have been put up around the working platforms. Our external safety officers are of the view that such safety measures are adequate and effective in mitigating the risks of recurrence of similar accidents and injuries to workers on our Group's sites in the future.
2. Injured whilst lifting or carrying	We require our workers to strictly follow our relevant safety guidelines while lifting and carrying heavy objects. They are also required to make use of all necessary equipment to complete their works.	
3. Trapped in or between objects	Our operations staff are reminded to strictly follow our internal guidelines when entering into work site in relation to wearing protective gear. When they perform high risk or works likely to get trapped in, they should ensure other staff are nearby to assist them in case they are trapped in or between objects or in need.	
4. Fell from height	We have established a work safety management system in our operations in accordance with OHSAS 18001 international standards. We require the workers to strictly follow our relevant safety guidelines while working at height. In addition, under our internal safety guidelines, ladders and working platforms for working at height must be securely anchored to safe place and being inspected by competent person before commencement of the works. Depending on the height of works, each worker is strictly required to wear safety harness which is secured to an independent life line.	

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Nature of accident	Safety control measures implemented	Additional safety control measures/ requirements implemented
5. Striking against objects	Our internal guidelines also specify that our staff are required to wear safety helmets, gloves and reflective clothing upon entering the site.	
6. Exposure to or contact with harmful substance	Our internal guidelines also specify that our staff are required to wear adequate safety protection gears before performing works required or likely to contact with harmful substance.	
7. Contact with moving machinery or object being machined	We would provide proper trainings to machine operators and our internal guidelines specify that they should be aware of the people within machine operation area, and our staff are required to wear safety helmets, gloves and reflective clothing upon entering the site.	
8. Contact with mixed concrete/concrete grout when placing concrete	The workers are required to strictly follow our internal safety guidelines on manual handling procedures. They are also required to wear safety gloves to handle specific nature of works.	
9. Contact with portable power cutter and concrete chimney pipe	The workers are required to strictly follow our internal safety guidelines to use all necessary tools.	
10. Stepping on debris on wet surface	We required our workers to put all objects and materials orderly in the specified location securing the tidiness of the work site. The workers are required to wear safety footwear and take steps in ensuring safe access and egress being available in the sites.	

Taking into account (i) the work safety management system adopted by us in accordance with OHSAS 18001:2007 international standards; (ii) our below industry average accident rate and zero fatality rate during the Track Record Period; (iii) corresponding safety control measures implemented as set out above to strengthen our safety control over our employees; (iv) the external safety consultant's view that the safety control measures that our Group has implemented are adequate and effective in mitigating the risks of recurrence of similar accidents or injuries to workers on our Group's sites in the future, our Directors are of the view and the Sponsor concurs that these safety control measures are adequate and effective in preventing the recurrence of the above accidents and injuries to workers on our Group's sites in the future.

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 or suspension of our registration as a registered subcontractor under the Subcontractor Registration Scheme maintained by the Construction Industry Council due to accidents or breaches of workplace safety regulations.

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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 <i>(Note 1)</i>	Our Group <i>(Note 2)</i>
From 1 January to 31 December 2013		
Industrial accident rate per 1,000 workers in construction industry	40.8	28.8
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	22.2
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	23.3
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 rates are calculated with reference to the number of injuries divided by the daily average number of site workers in our Group's construction sites during the year and multiply the result by 1,000. The daily average number of site workers only consisted of employees of our Group. To the best knowledge of the Directors, no accident occurred to workers of self-employed and workers of subcontractors who were engaged by our Group during the Track Record Period.

A comparison of the average accident rate of concrete services industry and that of our Group is not available given there is no relevant published data on the average accident rate of concrete services industry. The accident rate at our construction sites was lower than the construction industry average in Hong Kong for the years ended 31 December 2013, 2014 and 2015.

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A table showing our Group's lost time injuries frequency rates ("LTIFR(s)") is set out below:

From 1 January 2013 to 31 December 2013	8.12
From 1 January 2014 to 31 December 2014	6.23
From 1 January 2015 to 31 December 2015	6.54

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant calendar year or period by 1,000,000 divided by the number of hours worked by site workers over the same calendar year or period. It is assumed that the working hour of each worker is 10 hours per day. The number of working days for the three calendar years ended 31 December 2015 were approximately 295 days, 296 days and 295 days, respectively.
2. The injuries above only involved the employees of our Group. To the best knowledge of the Directors, no accident occurred to workers of self-employed and workers of subcontractors who were engaged by our Group during the Track Record Period.

We experienced a slight increase in LTIFRs from 6.23 for the year ended 31 December 2014 to 6.54 for the year ended 31 December 2015. Our Directors believe that it was primarily due to (i) an increase in total number of construction site workers being employed by our Group during the aforesaid period resulted in increasing number of reportable accidents; and (ii) as a result of the shortage of skilled workers in the construction industry in Hong Kong during the aforesaid period, we had to employ more construction workers who are less experienced with a weaker sense of safety awareness.

ENVIRONMENTAL COMPLIANCE

We endeavour to minimise any adverse impact on the environment resulting from our business activities. 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.

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 14001:2015 since 4 June 2016. 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 the three years ended 31 March 2016, we did not incur any material cost of environmental compliance.

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During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed “Litigation and potential claims – Criminal convictions” below, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

INSURANCE

Pursuant to section 40 of the Employees’ Compensation Ordinance, all employers are, subject to section 40(1B) of the Employees’ Compensation Ordinance, required to take out insurance policies to cover their liabilities both under the Employees’ Compensation Ordinance and at common law for injuries at work in respect of all their employees. We have obtained insurance cover in accordance with such requirement.

Pursuant to section 40(1B) of the Employees’ Compensation Ordinance, where a main 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 its liability and that of its subcontractor(s) under the Employees’ Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under section 40(1B) of the Employees’ Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with the relevant requirements of the Employees’ Compensation Ordinance. As a subcontractor, our Group’s liability in respect of the claims from employees of our Group and our Group’s subcontractors arising out of and in the course of their employment will be covered by the insurance policy taken out by the relevant main contractor.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, all our concrete placing projects were covered and protected by the employees’ compensation insurance and contractor’s all risks insurance taken out by the main contractor for the entire construction project. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site, and the works performed by them in the relevant construction site. We also maintained additional employees’ compensation insurance to protect our office staff and site staff working in the construction sites.

During the Track Record Period and up to the Latest Practicable Date, in addition to the above insurance, our Group maintained insurance coverage against, among other things, (i) liability for third party bodily injury occurred in our office premises; (ii) loss or damage of our machinery subject to finance leases; and (iii) third-party liability in relation to the use of our vehicles.

Certain types of risks, such as the risk in relation to the 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, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

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Our Directors believe that our current insurance policies is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For the three years ended 31 March 2016, our insurance expenses were approximately HK\$0.3 million, HK\$0.4 million and HK\$0.9 million respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

EMPLOYEES

As at the Latest Practicable Date, we had 638 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:

	As at the Latest Practicable Date
Directors and senior management	6
Administration, accounting and finance	10
Operation	
– Site agent	8
– Quantity surveying	6
– Quality and safety and environmental	9
Plant and machinery maintenance	98
Concretors and other site workers	<u>501</u>
	<u><u>638</u></u>

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 a probation period of three months. 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.

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We provide various types of trainings to our employees and sponsor our employees to attend various training courses, including those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses organised by external parties such as the Construction Industry Council and the Occupational Safety and Health Council.

Remuneration policy

The remuneration package that 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 raises, 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\$3.1 million, HK\$3.7 million and HK\$5.6 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. Laws and regulations in relation to the 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 human resources and administrative officers shall inspect and take copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong.
- Our subcontractors are required to hire only persons who are lawfully employable to work on site and to prevent any illegal worker to enter the site.

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- At site level, our site agent is responsible for inspecting the personal identification document of each worker 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 carry on any research and development activity.

MARKET AND COMPETITION

The concrete services industry in Hong Kong is fairly consolidated with the top five concrete services providers accounted for approximately 50.0% of the total market share by industry revenue in 2015. The concrete services industry in Hong Kong is very niche and consists of around 30 concrete service providers as of May 2016. In 2015, the revenue of the concrete services industry in Hong Kong accounted for approximately HK\$1,512.6 million. According to the Euromonitor Report, in 2015, our Group accounted for approximately 23.3% of the total revenue in the concrete services industry in Hong Kong and ranked first among the concrete services providers in Hong Kong. The total revenue of the concrete services industry in Hong Kong accounted for approximately 0.4% of the total revenue of the overall construction industry in Hong Kong in 2014.

Our Directors consider that technical expertise, quality of work, relationship with customers, suppliers and subcontractors, machinery capability, project pricing and safety records are the determinants of competitiveness of a concrete services provider in Hong Kong. Entry barriers to the concrete services industry in Hong Kong mainly include ability to build a good relationship with customers including real estate developers and main contractors, availability of skilled workers with sufficient practical industry experience and knowledge as well as capital investment in concrete placing machinery. For details, please refer to the section headed “Industry overview – Entry barriers” in this prospectus.

According to the Euromonitor Report, with the expected increase in demand for residential and commercial buildings and public infrastructure projects, our Directors believe that there will be more opportunities for our concrete services business in both private and public sectors. With our own proven track record, experienced project management team, possession of necessary machinery and equipment, technical expertise in the concrete placing 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 the growing demand for concrete placing services in Hong Kong.

Please refer to the section headed “Industry overview – Competitive landscape of the concrete services industry in Hong Kong” in this prospectus for further details of the competitive landscape of the concrete services industry in Hong Kong.

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PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties for our operations:



Address	Landlord	Gross floor area (sq. ft)	Use of the property	Key terms of the tenancy
Office B, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong	An independent third party	2,082	Office use	Monthly rent of HK\$52,050 (exclusive of rates, government rent and management fee) for a term of 2 years commencing from 19 December 2014 to 18 December 2016 (both days inclusive).
Office F, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong	An independent third party	348	Office use	Monthly rent of HK\$10,440 (exclusive of rates, government rent and management fees) for a term commencing from 15 February 2016 to 31 December 2016 (both days inclusive).

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We leased the following properties during the Track Record Period:

- (i) Certain properties situated at Lot No. 3025 in D.D.111, Chi Ma Leng, Wang Toi Shan, Pat Heung, Yuen Long, New Territories for storage of machinery parts at a monthly rental of HK\$75,000 for a term commencing from 20 March 2013 to 19 September 2015. Such tenancy has expired and was not renewed upon its expiry.
- (ii) Flat B-C, 1/F., Ngun Hoi Mansion, No. 163 Hai Tan Street, Shamshuipo, Kowloon, Hong Kong for office use at a monthly rental of HK\$15,000 commencing from 15 June 2013 and ended on 14 February 2015.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered device of “” and “” as our Group’s trademark in Hong Kong, which is intended to be used by our Group to foster our corporate image. We are the registered owner of the domain name www.chongkin.com.hk. Please refer to the section headed “B. Further information about the business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for further details of our intellectual property rights.

As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

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AWARDS AND RECOGNITIONS

We have received the following certifications in recognition of our commitment and dedication to our quality management system, occupational health and safety management and environmental management system:

Nature	Certification	Awarding organisation or authority	Holder	Validity period
Quality management system	ISO 9001:2008	Accredited Certification International Limited	Kam Fung <i>(Note)</i>	16 May 2015 – 16 May 2018
Occupational health and safety management system	OHSAS 18001:2007	Accredited Certification International Limited	Kam Fung <i>(Note)</i>	16 May 2015 – 16 May 2018
Environmental management system	ISO 14001:2015	Accredited Certification International Limited	Kam Fung <i>(Note)</i>	4 June 2016 – 4 June 2019

Note: The scope covers provision of concrete placing engineering service and related construction works, provision of sundry and cleaning services for construction sites.

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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In addition to the above, we have been granted the following major awards by some of our major customers:

Award	Date of award
<i>In recognition of our service quality</i>	
Merit Award (Concrete Placing) granted by a customer	June 2015
Merit Award (Concrete Placing) granted by a customer	June 2014
<i>In recognition of our safety compliance</i>	
Safety Improvement Subcontractor Award granted by a customer	February 2013
Certificate of Zero Reportable Accident granted by a customer	January 2013
Best Subcontractor Safety Award granted by a customer	February 2012
Best Subcontractor Safety Award (Third Quarter) granted by a customer	October 2010
Best Occupational Health and Safety Subcontractor Award granted by a customer	April 2010
Best Safety Culture Subcontractor granted by a customer	April 2010
Best Subcontractor Occupational Health and Safety Award (First Quarter) – Silver Award granted by a customer	April 2010
Safety Award (subcontractor) granted by a customer	January 2007
<i>Other award</i>	
Caring Company Logo awarded by the Hong Kong Council of Social Service	May 2016

LEGAL AND REGULATORY COMPLIANCE

Licences and Permits

As advised by the Legal Counsel, except for the business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), there is no license, permit or approval required to be obtained for our Group to carry on our business as a subcontractor of the relevant concrete placing projects and other ancillary services.

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Based on our Directors' experience, some of our customers, in particular main contractors of public sector projects, prefer to engage subcontractors who are registered in the Subcontractor Registration Scheme of the Construction Industry Council. In view of this, Kam Fung, our principal operating subsidiary, has first completed such registration since 2008. The following table summarises the details of such registration held by our Group as at the Latest Practicable Date:

Name of registered subcontractor	Trades	Trade specialties	Expiry date
Kam Fung	<ul style="list-style-type: none"> ● Concreting formwork ● Reinforcement bar fixing ● Concreting ● General civil works ● Finishing wet trades ● Shutters/Doors fabrication and installation ● Tanking and waterproofing ● Pipe network for delivery of ready-mixed concrete ● Miscellaneous cleaning services 	<ul style="list-style-type: none"> ➤ Concreting formwork ➤ Reinforcement bar fixing ➤ Concreting ➤ General civil works ➤ Finishing wet trades ➤ Shutters/Doors fabrication and installation ➤ Tanking and waterproofing ➤ Pipe network for delivery of ready-mixed concrete ➤ Miscellaneous cleaning services 	5 April 2018
Global Sunny	<ul style="list-style-type: none"> ● Concreting formwork ● Reinforcement bar fixing ● Concreting ● General civil works ● Finishing wet trades ● Tanking and waterproofing ● Metal work 	<ul style="list-style-type: none"> ➤ Concreting formwork ➤ Reinforcement bar fixing ➤ Concreting ➤ Earthwork ➤ Plastering and tiling ➤ Screeding ➤ Tanking and waterproofing ➤ Metal work ➤ Stainless steel work 	5 July 2018
Sang Fu	<ul style="list-style-type: none"> ● Concreting ● Other finishing trades and components ● Pipe network for delivery of ready-mixed concrete ● Miscellaneous cleaning services 	<ul style="list-style-type: none"> ➤ Concreting ➤ Miscellaneous work ➤ Pipe network for delivery of ready-mixed concrete ➤ Miscellaneous cleaning services 	21 September 2018
Richway	<ul style="list-style-type: none"> ● Pipe network for delivery of ready-mixed concrete 	<ul style="list-style-type: none"> ➤ Pipe network for delivery of ready-mixed concrete 	25 July 2018

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 – The 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

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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 despite our Group's historical accidents and/or criminal convictions and litigation as disclosed under the section headed "Business – Litigation and potential claims" in this prospectus.

Under the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme (Version 2 in July 2016) published by the Construction Industry Council, a registered subcontractor may be called for regulatory action on, amongst others, (a) criminal convictions under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) or Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) in relation to serious construction site safety incidents resulting in one or more consequence of loss of life or serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanently total disability; or (b) criminal conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupation Safety and Health Ordinance each arising out of separate incidents in any six months period committed by a registered subcontractor at each of a construction site under a contract. Our Group was not called for and was not subject to any such regulatory action of the Construction Industry Council during the Track Record Period.

Besides, the Management Committee of the Construction Industry Council will consider a subcontractor's compliance of entry requirements in an application for renewal, which do not include criteria for a subcontractor applicant who should have no record of historical accident and/or criminal conviction and litigation. Hence, even with the Group's historical accidents and/or criminal convictions or if Kam Fung is convicted for the 2 ongoing criminal litigations, the accidents and/or convictions will not have any significant impact or creating an impediment on the application for renewal of registration of Kam Fung under the Subcontractor Registration Scheme.

NON-COMPLIANCE

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, they were not aware of any material and systemic non-compliance of our Group that required to be disclosed.

LITIGATION AND POTENTIAL CLAIMS

Save as disclosed below, during the Track Record Period and as at the Latest Practicable Date, no member of our Group was subject to any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors as pending or threatened against any member of our Group.

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Ongoing litigations against our Group as at the Latest Practicable Date

Set out below are the details of the ongoing employees' compensation claims, ongoing common law personal injuries claims and ongoing criminal litigations involved by our Group as at the Latest Practicable Date which are considered by our Directors to have no material impact on our Group.

Kam Fung

Kam Fung has been joined as a respondent in 2 ongoing employees' compensation claims and as a defendant in 2 ongoing common law personal injuries claims commenced by the injured employees as applicants in the course of their employment with us.

Ongoing employees' compensation claims

For the 2 ongoing employees' compensation claims, the injured employees as applicants have taken out employees' compensation applications against Kam Fung in August 2015 and November 2015. It was purported that the applicant in the respective claim has, in the course of work, sustained:

1. multiple injuries on eye, shoulder, back and lower limb as a result of a slip in or about June 2014; and
2. fracture to lower back as a result of a fall in or about December 2014.

Save and except the application as set out in no. 2 above which judgment on liability has been entered in March 2016 and the claim has been proceeded to the stage for assessment of damages, the other application is now at pleadings stage.

For these 2 ongoing employees' compensation claims, the times for the applicants to commence common law personal injuries claims against Kam Fung have not been expired under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). It is therefore probable for these applicants to commence common law personal injuries claims against Kam Fung before the respective time is barred.

For these 2 ongoing employees' compensation claims against Kam Fung, the amount of such claims are not stated in the court documents or we and our insurers have not been served with any documents containing information on the amount of claims from the applicants. The amount/estimated quantum of the applicants' compensation claims are to be assessed by the court.

Ongoing common law personal injuries claims

For the 2 ongoing common law personal injuries claims, the injured employees as plaintiffs instituted Writ of Summonses against Kam Fung for, among other things, their alleged common law personal injuries damages arising from the course of works in June 2015 and February 2016 respectively.

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For the first claim, the plaintiff purported that he sustained back injury in handling manual works in or about June 2012. The plaintiff's claim has been proceeded to the pleadings stage and he claimed a sum of HK\$2,927,369.79 plus interest and costs.

In the second claim, the plaintiff purported that she sustained fracture in her right wrist and paraspinal muscle spasm over spine region were found upon medical examination as a result of a slip and fall in or about March 2013. The Plaintiff's claim has been proceeded to the pleadings stage and she claims a sum of HK\$2,194,535.90 plus interest and costs.

Ongoing criminal litigations

Kam Fung is being involved in 2 ongoing criminal litigations. Kam Fung is being charged by the Labour Department of 2 counts of failure to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of 2 metres or more in May 2016 and June 2016 respectively contrary to Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance. The hearings of the 2 ongoing criminal litigations are now fixed in November and October 2016 for trial and pre-trial review respectively.

One of the ongoing criminal litigations against Kam Fung is that Kam Fung was alleged to have failed to take adequate steps to prevent a person on the floor slab with an opening on the 50th Floor at a construction site from falling from a height of 2 metres or more and the other is that Kam Fung was alleged to have failed to take adequate steps to prevent 2 workers who were cleaning construction debris at the floor edge of 26 Floor at a construction site from falling from a height of 2 metres or more.

Under the Construction Sites (Safety) Regulations, the maximum penalty for a charge under Regulations 38B(1A), 68(1)(a) and 68(2)(g) will be a fine of HK\$200,000 and to imprisonment for 12 months for offence committed without reasonable excuse and in any other case to a fine of HK\$200,000.

Kam Fung may be subject to the maximum penalty of a fine of HK\$200,000 for each of the charge as imposed under Regulation 68(2)(g) of the Construction Sites (Safety) Regulations and therefore the relevant aggregate maximum penalty would be HK\$400,000. However, as advised by our Legal Counsel, the likelihood of the court to impose maximum penalty is not particularly high. According to the cases presented by the prosecution in respect of the two charges and based on his experience in handling similar prosecution, a fair estimate of the likely penalty would be a fine of not above HK\$50,000 for each of the charge if Kam Fung is found liable to the charge. Since the directors, officers and employees of Kam Fung are not the defendants, they will not have any liability nor subject to any imprisonment under the charges.

Sang Fu

Ongoing common law personal injuries claim

Sang Fu has been joined as a defendant in 1 ongoing common law personal injuries in the course of its business as a subcontractor. The plaintiff instituted a Writ of Summons in March 2016 against Sang Fu for common law personal injuries claims for the purported claim of injury on pelvis as a result from a fall happened in or about March 2013 in the course of work.

As at the Latest Practicable Date, judgment on liability has been entered in April 2016 and a checklist review hearing is fixed to be heard in December 2016. However, no statement of damages was received by our Group. As such, we are not in the position to assess the likely amount of damages to be claimed by the plaintiff in relation to this claim.

Views of our Directors on ongoing employees' compensation claims and ongoing common law personal injuries claims

In respect of the above ongoing 5 employees' compensation claims and ongoing common law personal injuries claims, our main contractors are required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong which meets the statutory minimum insurance coverage of HK\$200 million for each accident. The ongoing claims are being dealt with and handled by the relevant main contractors, their insurers and their appointed solicitors for our Group. Our Group did not incur legal expenses associated with the ongoing claims as such legal expenses will be covered by the insurance policies of the main contractors. Therefore, our Directors are of the view that the amount claimed by the applicants/plaintiffs in the 5 ongoing employees' compensation claims and common law personal injuries claims are expected to be fully covered by the relevant insurance policies maintained by our main contractors and that these ongoing claims will not have material impact on our Group, so no provision has been made to cover our potential liability under the above claims.

Potential litigations in relation to employees' compensation applications and common law personal injuries claims against our Group as at the Latest Practicable Date

As confirmed by our Directors, as at the Latest Practicable Date, there were 74 workplace accidents occurred during the Track Record Period and up to the Latest Practicable Date, which may give rise to 55 potential employees' compensation and/or 73 potential common law personal injuries claims.

Potential claims refer to those claims that have not commenced against our Group but are within the limitation of two years (for employees' compensation claims) or three years (for common law personal injuries 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 been commenced, we are not in the position to assess the likely quantum of such potential claims. Our Directors take the view that the amount of such potential claims to be borne by our Group in the proceedings shall be handled by the relevant main contractor or shall be covered by the relevant main contractor's insurance

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policy. These accidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business nor have an adverse impact on our Group to obtain or renew any registration for our operation. Please see below a summary of the number of potential employees' compensation claims and potential common law personal claims of the aforesaid work injury cases, the limitation periods of which have not expired as of the Latest Practicable Date but will expire during the years from December 2016 to December 2019 respectively.

Year	Number of potential employees' compensation claims which limitation period will expire	Number of potential common law personal injuries claims which limitation period will expire
December 2016	1	7
December 2017	19	9
December 2018	35	20
December 2019	<u>0</u>	<u>37</u>
Total:	<u><u>55</u></u>	<u><u>73</u></u>

The 73 potential common law personal injuries claims have taken into account the potential common law personal injuries claims to the employees of our service provider as referred to in the table headed "Business – Occupational health and work safety measures" above and the 3 potential common law personal injury claims that may arise from the settled or discontinued employees' compensation claim referred to in the paragraph headed "Litigations against our Group settled or discontinued during the Track Record Period and up to the Latest Practicable Date" below.

The nature of the 74 accidents occurred during the Track Record Period and up to the Latest Practicable Date is set out in the table under the paragraph headed "Occupational health and safety – Occupational health and work safety measures" in this section.

Litigations against our Group settled or discontinued during the Track Record Period and up to the Latest Practicable Date

Up to the Latest Practicable Date, the Group had a total of 14, 10 and 5 employees compensation claims and common law personal injuries claims settled or discontinued claims during Track Record Period against Kam Fung, Global Sunny and Sang Fu respectively. The Group has also settled 3 accidents which would have given rise to 3 potential employees' compensation claims and 3 potential common law personal injuries claims against Kam Fung.

All the above cases were in relation to the Group's employees or ex-employees. Generally, the relevant main contractor's insurance or our Group's insurance fully covered all the claims reported by the Group and the main contractors to the respective insurance

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company. Kam Fung, Global Sunny and Sang Fu had respectively settled approximately HK\$7.58 million, HK\$12.1 million and HK\$2.22 million (all exclusive of legal costs) for the above settled and/or discontinued claims and potential claims. All the settled amounts were covered by the main contractors' and our Group's insurances. Although the employees' compensation claims have been settled or discontinued, there are still 3 potential common law personal injury claims that may arise from the above settled or discontinued employees' compensation claims for the reason that the limitation periods for instituting the common law personal injuries claims will expire in December 2016, July and October 2017, respectively.

Besides, during the Track Record Period, the Group settled two property damages claims of a total sum of HK\$13,500 as a result of two traffic accidents purportedly caused by our employees in the course of driving vehicles owned by our Group.

Taking into account all the aforesaid employees' compensation claims and common law personal injuries cases have been settled either by the Group's insurance or the main contractors' insurance, and that no further legal action or proceedings have been commenced as at the Latest Practicable Date, the Directors have concluded that the above mentioned claims and litigations have no material impact on our Group's operations, financials and reputation after considering the sums claimed and the insurance policies maintained by the main contractors and our Group.

The Directors are of the view that occurrence of common law personal injury claims and employees' compensation claims is not uncommon in the industry. None of the Directors has been involved in the Group's material litigation rendering him unable to comply with Rules 3.08 and 3.09 of the Listing Rules.

No provision for litigation claims

Having considered, amongst other things, (i) the nature and the degree of injuries of the incidents, (ii) any payments made so far for settlement for the incidents; (iii) the status of the injured employees (whether they are on leave, resigned or whether they have resumed duty); (iv) the estimated total costs of treatment and potential claims against our Group of the reinvent incidents as assessed based on the experience of our management; (v) the coverage of our main contractors' insurance policy(ies); (vi) the likely outcome of the ongoing litigations, our Directors consider that no provision for contingent liabilities in respect of current, pending and potential litigations is necessary.

Indemnity given by our Controlling Shareholder(s)

Our Controlling Shareholder(s) have entered into a Deed of Indemnity whereby our Controlling Shareholder(s) have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise from (a) all accidents that happened before the Public Offer becomes unconditional; or (b) the litigations taken against our Group before the Public Offer becomes unconditional, or both. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information – Tax and other indemnities" in Appendix IV to this prospectus.

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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 up to the Latest Practicable Date, our Group has 4 criminal convictions in the following criminal cases:

Name of our Group company	Particulars of the convictions	Penalties
1. Kam Fung	It was purported that Kam Fung has on a general holiday of 25 January 2015 did cause to be carried out construction work, namely handling of wood and hammering in respect of which a construction noise permit was not in force contrary to Section 6(2)(a) and 6(5) of Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong).	Kam Fung was convicted and fined HK\$8,000.
2. Kam Fung	It was purported that Kam Fung has on 18 January 2016 did without lawful authority or excuse leave vehicle covering an area of about 2 metres width and 10 metres length in total which obstruct a person or a vehicle in a public place contrary to section 4A of the Summary Offences Ordinance, (Cap. 228 of the Laws of Hong Kong).	Kam Fung was convicted and fined HK\$600.
3. Kam Fung	It was purported that Kam Fung has on 18 January 2016 did without lawful authority or excuse leave vehicle covering an area of about 2 metres width and 10 metres length in total which obstruct a person or a vehicle in a public place contrary to section 4A of the Summary Offences Ordinance, (Cap. 228 of the Laws of Hong Kong).	Kam Fung was convicted and fined HK\$600.
4. Sang Fu	It was purported that Sang Fu has in July 2013 failed to ensure the safety reviews are conducted not less than once in each 6 months' period beginning on January 2013 contrary to sections 19(2)(a) and 34(2) of the Factories and Industrial (Safety Management) Regulation made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).	Sang Fu was convicted and fined HK\$5,000.

The criminal convictions were all monetary penalty and such convictions were made against our Group but not against our Directors or the senior management of our Group. The 4 convictions will not have any significant impact creating impediment on the application for the renewal of any licence including but not limited to the application for renewal of the registration under the Subcontractor Registration Scheme.

BUSINESS

Save as disclosed above and to the 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.

Save as the criminal convictions disclosed above, we had complied with all the applicable laws and regulations in Hong Kong in all material aspects for the business operation of our Group during the Track Record Period and as at the Latest Practicable Date.

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.

Review by our internal control consultant

In preparation for the Listing and to further improve our internal control system, in February 2016, we engaged CT Partners, an independent internal control consultant, 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 April 2016, CT Partners 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 May 2016, CT Partners performed a follow up review on our internal control system and they did not note any findings of material weakness or insufficiency in our Group's internal control system.

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 after the Listing.

In order to strengthen our internal control system, our Group has also adopted or will adopt the following key measures:

- In June 2016, 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.

BUSINESS

- We have engaged TC Capital International Limited 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. Miu Hon Kit, Mr. Leung Chi Wai and Mr. Seid Ka Him. 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, accounting, financial and tax 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 shall establish system and manuals in relation to, among others, distribution of annual or interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.
- We will engage CT Partners 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 external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

Enhanced internal control measures to prevent recurrence of the criminal litigations

We adopted the following key measures to prevent recurrence of the criminal litigations:

- *Noise control:* Since August 2016, Site agents and Assistant General Manager (Operation) would be responsible for overseeing the works performed by direct employees and subcontractors during the permitted hours for operation at project site, which is from 7:00 am to 7:00 pm Monday to Saturday, works are not permitted on general public holidays. If working outside the permitted hours construction Noise Permit (CNP) from Environmental Protection Department will be applied.
- *Obstruction of vehicle:* Since August 2016, we have assigned Assistant General Manager (Operation) with assistance of site agents to ensure there are enough authorized space to store or park our Group’s machinery. If we are not authorized to keep the machines in the pre-determined location, the site agents should inform the back office and reallocate to secured and authorized area.

BUSINESS

- *Safety Review:* Since August 2016, we have assigned Assistant General Manager (Administration) to ensure the obligation in performing safety review or safety audit in accordance with the Section 7 of the Factories and Industrial Undertakings Ordinance.

Our Directors are of the view, and the Sponsor concurs, that the above enhanced internal control measures will provide a reasonably adequate and effective internal control framework to assist us in identifying and preventing the recurrence of the Group's past criminal litigations.

Anti-bribery policies

Our Group has established anti-bribery policies and guidance in staff handbook and our staff are required to strictly follow the policies. Our staff are required to immediately report any suspected incidents of bribery and corruption to our assistant general manager (administration), who will then carry out any further investigations if necessary and determine the appropriate course of action, with discussion with the Board of Directors. We also provide training to our staff and update on recent anti-bribery and corruption issues, if it is appropriate. Whistle blower programme has been in place and accessible by our staff and external parties, including a dedicated hotline and an email address, to receive reports of alleged corruption on a no-repercussion basis, with the option of anonymity.

Risk Management

Apart from the internal control measures, our Group has also adopted or will adopt the following key measures under our risk management for mitigating some of our operational and financial risks relating to our business operation:

(i) Customer concentration risk

Please refer to the paragraph headed "Customers – Customer concentration" 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 for details of our pricing strategy to address the risk of potential inaccurate cost estimation and cost overrun.

(iii) Risk relating to subcontractors' performance

Please refer to the paragraphs headed "Subcontractors – Basis of selection of subcontractors" and "Subcontractors – Control over subcontractors" above in this section.

BUSINESS

(iv) Credit risk relating to the collection of trade receivables and retention receivables

Please refer to the paragraph headed “Customers – Credit policy” above in this section.

(v) Liquidity risk

Our Group’s policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. We believe there is no significant liquidity risk as our Group has sufficient committed facilities to fund their operations.

(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 compliance” above in this section.

(ix) Risk of possible failure, damage or loss of machinery

Please refer to the paragraphs headed “Machinery – Repair and maintenance”, “Machinery – Age and replacement cycle of machinery” and “Machinery – Safekeeping of machinery” 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 headed “Directors and senior management – Board committees” in this prospectus.

To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with our Controlling Shareholders – Corporate governance measures” in this prospectus.

BUSINESS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following the completion of the Capitalisation Issue and the Share Offer (taking no account any Share to be issued upon exercise of any option to be granted under the Share Option Scheme), each of Mr. Cheung, Mr. Chan and Pioneer Investment will together control 75% of the total issued share capital of our Company. For the purpose of the Listing Rules, Mr. Cheung, Mr. Chan and Pioneer Investment are our Controlling Shareholders. Pioneer Investment is an investment holding company owned as to 70% by Mr. Cheung and as to 30% by Mr. Chan, and will together control more than 30% of the issued share capital of our Company after the Listing. As at the Latest Practicable Date, it has not commenced any substantive business activities. Other than disclosed under the paragraph headed “Disclosure under Rule 8.10 of the Listing Rules” below, each of our Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete either directly or indirectly, with our business.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save for Mr. Chan’s interest in Kam Kee Steel’s Works Limited as detailed below, our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure under Rule 8.10 of the Listing Rules.

Information of Kam Kee

Background

Kam Kee Steel’s Works Limited (“**Kam Kee**”), a company with limited liability incorporated in Hong Kong on 31 January 1991, is wholly-owned by Mr. Chan as at the Latest Practicable Date.

Business activities

Kam Kee principally provides (i) general steel and metal hardware and related engineering services for private and public sectors building and civil projects including but not limited to supply, installation, relocation, alteration and addition and demolition of hoarding, chain-link fence, gantry, safety railing, hanger, drain cover, garbage pool, iron slab, door gate, vent louvers and fire proof stainless door etc. and (ii) supply and installation of transfer beam, stanchion and bonedek etc., for structural steel work (altogether be referred to as the “Excluded Business” below).

In undertaking the general steel and metal works and structural steel works, in particular when such works involve installation of steel and metal hardware, minor and ancillary concreting works such as concrete footings or concrete bases may have to be provided by Kam Kee for the fixation of the steel and metal hardware that built upon. Such minor concreting works are only ancillary and incidental to the construction of steel and metal works. During the Track Record Period, there was no projects awarded to Kam Kee solely for the provision of concrete placing services.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial information

According to Kam Kee's audited financial statements for the two years ended 31 March 2015 and unaudited management account for the year ended 31 March 2016, the revenue of Kam Kee was approximately HK\$131.5 million, HK\$175.3 million and HK\$168.7 million respectively and the corresponding net profit was approximately HK\$2.7 million, HK\$3.7 million and HK\$1.2 million respectively. The total assets of Kam Kee was approximately HK\$42.0 million, HK\$56.6 million and HK\$41.6 million as at 31 March 2014, 2015 and 2016 respectively.

Of the total of approximately 280 contracts awarded to Kam Kee during the Track Record Period, the number of contracts involving items of concreting works were 6, 3 and 1 for the years ended 31 March 2014, 2015 and 2016 respectively. The corresponding aggregate estimated contract sum and turnover in relation to such concreting works were approximately HK\$0.3 million, HK\$0.1 million and HK\$0.1 million, representing 0.3%, 0.1% and 0.1% of the total revenue of Kam Kee for the same period respectively.

Operational and financial independence

The business of Kam Kee is independently run by Mr. Chan in the capacity as its sole director. The Directors have confirmed that Kam Kee has completely segregated internal control, financial, accounting, treasury management, procurement, sales and marketing, administration and compliance systems and functions that are entirely independent of those of our Group.

Conclusion

Based on the foregoing, our Directors consider, and the Sponsor concurs, that there is clear delineation of businesses between Kam Kee and our Group and that the extent of the competition is not extreme and does not have a material impact on our Group's business.

Kam Kee was not injected into our Group, and, as at the Latest Practicable Date, there was no intention to inject Kam Kee into our Group in the future, as our Directors are of the view that such businesses neither form part of our core business nor are in line with our strategy to strengthen our market position in the concrete services industry in Hong Kong.

To safeguard our interests, our Controlling Shareholders (including Mr. Chan) have executed the Deed of Non-competition under which various measures have been incorporated to minimise any competition between our Group, our Controlling Shareholders and their respective close associates. Further details of the Deed of Non-competition are set out in the paragraph headed "Non-competition undertakings" below.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

Management independence

Our Board consists of 6 Directors, of whom 3 are executive Directors and 3 are independent non-executive Directors. Mr. Chan, one of our Controlling Shareholders, is also the sole director of Kam Kee Steel's Works Limited. Save as Mr. Chan, no other Directors nor members of our senior management hold any directorship or position in Kam Kee Steel's Works Limited. Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. 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 meetings of the Board in respect of such transactions and shall not be counted in the quorum. The 3 independent non-executive Directors will also bring independent judgment to the decision-making process of the Board. Senior management of our Company have undertaken supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Company include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our Directors and senior management are set out in the section headed "Directors and Senior Management" in this prospectus.

Financial independence

Our Company has an independent financial system and accounting functions and makes financial decisions independently according to our Group's own business needs. All guarantees provided by our Controlling Shareholders and/or their respective close associates will be released and replaced by our guarantee or collateral upon or before the Listing. During the Track Record Period, we had certain amounts due to or from our Controlling Shareholders and/or their respective close associates. For details, please refer to note 18 to the Accountants' Report in Appendix I to this prospectus. As at the Latest Practicable Date, such amounts due to or from our Controlling Shareholders and/or their respective close associates were fully settled. Our Directors believe that our Group is capable of obtaining financing from independent third parties, if necessary, without reliance on our Controlling Shareholders after the Listing. Therefore, our Group will be financially independent from our Controlling Shareholders after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities. 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. Our Group has also established a set of internal control policies and guidelines to facilitate the effective operation of our business.

During the Track Record Period, our Group had entered into certain transactions with its related parties as set out in Note 27 “Related Party Transactions” to the Accountants’ Report in Appendix I to this prospectus. Our Directors confirm that as at the Latest Practicable Date, such related party transactions have ceased and our Group does not have any transaction with any related party.

Save as set out above, our Group has engaged two of our connected persons as our subcontractors for the provision of concrete pouring and management services on normal commercial terms and in ordinary course of our business. For further details of the terms, please refer to the paragraph headed “Business – Subcontractors” in this prospectus. Our Directors confirm that as at the Latest Practicable Date, our subcontracting arrangement with these connected persons had ceased.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and our Controlling Shareholders and their respective close associates, our Controlling Shareholders entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 27 September 2016. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, as long as the Deed of Non-competition remains effective, he/it shall not, and shall procure his or its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether on its own account or with each other or in conjunction with or on behalf of any person or company or otherwise, the development, participation, management and operation of any business which in competition with or likely to be in competition whether directly or indirectly, with the existing business activity of any member of our Group or such other business activity our Group may engage from time to time in future.

Each of our Controlling Shareholders further undertakes that if he/it or his/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/it shall (and he/it shall procure his/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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders further undertakes that he/it will and he/it shall procure that his/its close associates (other than any member of our Group) will notify us of the aforesaid business opportunities and use his/its best endeavors to procure that the business opportunities is first offered to our Group on terms and conditions no less favorable than those offered to our Controlling Shareholders or their respective close associates.

Within 30 Business Days (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) after receipt of written notice concerning offer of any business opportunity from the relevant Controlling Shareholder, our Company shall notify the relevant Controlling Shareholder whether we intend to accept the offer. If our Group declines any such offer, the relevant Controlling Shareholder or his/its close associates who offered the business opportunity shall then be allowed to acquire the interests offered on terms no more favorable than those offered to our Group. Whether we shall accept or decline the offer of business opportunity shall be decided by our Board and upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions).

Under the Deed of Non-competition, Mr. Chan (i) undertakes to our Group that save as the Excluded Business, he will not and shall procure his close associates (other than any member of our Group) not to solely engage in any concrete placing business that our Group is engaging in or will engage in from time to time; and (ii) granted us a first right of refusal to take up any business opportunity or participate in solely providing concrete placing service arising out of or in connection with the Excluded Business, the contract sum or estimated revenue of the concrete placing work under one single contract which will exceed or be equivalent to HK\$500,000. The sum of HK\$500,000 is set upon taking into account the minimum amount of single contract of HK\$525,000 that our Group was awarded in the year ended 31 March 2016. Our Group is of the view that such sum is a fair and reasonable sum to our Group for protecting our Group's interest on the one hand and for saving minor administrative procedural works on the other. In respect of the aforesaid first right of refusal, within 30 Business Days (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) after receipt of written notice concerning offer of the relevant business opportunity from Mr. Chan and/or his close associates, our Company shall notify Mr. Chan and/or his close associates whether we intend to accept the offer. If our Group declines any such offer, Mr. Chan and/or his close associates who offered the business opportunity shall then be allowed to acquire the interests offered on terms no more favorable than those offered to our Group. Whether we shall accept or decline the offer of business opportunity shall be decided by our Board and upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions).

The non-competition undertakings under the Deed of Non-competition shall not restrict any of our Controlling Shareholders (or any of their respective close associates), either by himself/herself/itself or any other person, from holding interests in the shares of a company which is listed on a recognised stock exchange provided that:

- (i) any business that competes or is likely, directly or indirectly, to compete with our Group conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) the total number of the shares held by any of our Controlling Shareholders and/or his/its respective close associates in aggregate does not exceed 5% of the issued shares of that class of that company in question and such Controlling Shareholder and/or his/its respective associates are not entitled to appoint a majority of the directors of that company and/or at any time, there should exist at least another shareholder of that company who holds more shares in that company than such Controlling Shareholder and/or his/its respective close associates in aggregate.

The undertakings contained in the Deed of Non-competition are conditional on the Listing. If 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 our Controlling Shareholders) the date on which he/it together with his/its close associates, whether individually or taken together, cease 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 voting shares of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/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 Controlling Shareholders (or their respective associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) our Controlling Shareholders will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iii) our 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 judgment. Our Company has appointed 3 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 judgment and will be able to provide impartial and professional advice to protect the

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 TC Capital International Limited 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.
- (v) our 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

DIRECTORS

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 regarding our Directors:

Name	Age	Present Position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Cheung Yuk Kei (張玉其)	56	Executive Director and Chairman of our Board	31 May 2016 and re-designated as an executive Director on 28 June 2016	December 2002	Joint responsibility of formulation of overall business development, making major business decision and overseeing and monitoring projects of our Group and the chairman of the nomination committee	Father of Cheung Man Tim
Cheung Man Tim (張萬添)	32	Executive Director and Chief Executive Officer	28 June 2016	February 2015	Joint responsibility of formulation of overall business development strategy, execution of daily management and administration of our business and operations and a member of the remuneration committee	Son of Cheung Yuk Kei
Fung Chi Chung (馮志忠)	52	Executive Director	28 June 2016	March 2010	Overseeing daily execution of site operation and monitoring occupational health, safety and environmental compliance of our Group	N/A
Miu Hon Kit (繆漢傑)	49	Independent Non-executive Director	27 September 2016	September 2016	Chairman of the audit committee, responsible for addressing conflicts and giving strategic advice and guidance on the business and operation of our Group	N/A
Leung Chi Wai (梁智維)	48	Independent Non-executive Director	27 September 2016	September 2016	Chairman of the remuneration committee and a member of the audit committee and the nomination committee, responsible for addressing conflicts and giving strategic advice and guidance on the business and operation of our Group	N/A
Seid Ka Him (薛家謙)	33	Independent Non-executive Director	27 September 2016	September 2016	A member of the audit committee, the remuneration committee and the nomination committee, responsible for addressing conflicts and giving strategic advice and guidance on the business and operation of our Group	N/A

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Name	Age	Present position	Date of appointment for present position	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Yu Pik So (余碧素)	42	Financial Controller and Company Secretary	January 2015	January 2015	Overseeing the financial operation and overall corporate governance of our Group	N/A
Yeung, Jack (楊社稷)	41	Assistant General Manager (Administration)	February 2015	February 2015	Overall management of administration, human resources and co-ordination	N/A
Chau Wai Kwong (周偉光)	55	Assistant General Manager (Projects)	February 2015	March 2010	Overall management of site works, quality control of our projects	N/A

Executive Directors

Mr. Cheung Yuk Kei (張玉其), aged 56, is the prime mover of our Group, an executive Director, our Chairman and the chairman of our nomination committee. Mr. Cheung is one of our Controlling Shareholders and also a director of Kam Fung, Global Sunny, Sang Fu and Richway Mechanical. Mr. Cheung is primarily responsible for overall business development, making major business decision and overseeing and monitoring projects of our Group.

Mr. Cheung is the Vice President (副會長) of the Seventh Committee (2015-2017) of the Hong Kong Construction Sub-contractors Association (香港建造業分包商聯會). Mr. Cheung is a director of The Hong Kong Concretor Contractors Association Limited (香港混凝土工分包商商會有限公司) since September 2013 and the President for a term of 2 years from August 2015 to August 2017. He is also a director of The Hong Kong Concrete Pump Merchant Association Limited (香港混凝土泵聯會有限公司) since August 2015, and Hong Kong Formwork Contractors Associations Limited (香港模板商會有限公司) since May 2011.

Mr. Cheung has accumulated over 35 years of experience in the concrete services industry in Hong Kong. Prior to acquiring the share of Kam Fung in December 2002, Mr. Cheung was the founder of Kei Kee Construction Engineering Company Limited (其記建築工程有限公司) which was incorporated in May 2000 and the sole proprietor founder of Cheung Kei Engineering Co. (張其工程公司) which was established in October 1987. Cheung Kei Engineering Co. ceased business in March 2001 after the conversion of the sole proprietor businesses to Kei Kee Construction Engineering Company Limited. Kei Kee Construction Engineering Company Limited was subsequently dissolved by deregistration in October 2006 due to Mr. Cheung's focus on the business of our Group and to avoid competition.

Mr. Cheung obtained a Certificate of Training from Accredited Certification International Limited for Integrated Management System Internal Auditor on 31 March 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung is the father of Mr. Cheung Man Tim who is an executive Director and our Chief Executive Officer.

Save as disclosed above and the section headed “Substantial Shareholders” in this prospectus, as at the Latest Practicable Date, Mr. Cheung (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Cheung was a director of the following companies during or within 12 months when it was dissolved other than by members’ voluntary winding up with details as follows:

(a) Hong Kong

Name of company	Principal business activity immediately before dissolution	Date of dissolution	Details
Kei Kee Construction Engineering Company Limited	Construction and Engineering	6 October 2006	It was a Hong Kong incorporated company de-registered under section 299AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, dissolved upon de-registration. ^(Note)

Note: Under section 291AA of the Predecessor Companies Ordinance (Cap.32), an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.

DIRECTORS AND SENIOR MANAGEMENT

(b) **Macau**

Name of company	Principal business activity immediately before dissolution	Date of dissolution	Reason of dissolution
Companhia De K.F. (Macau) Engenharia Limitada (English translation: Kam Fung (Macau) Engineering Ltd)	Concreting, excavation and steel works	29 December 2015	Cessation of business
Sociedade De Engenharia Global Sunny (Macau) Limitada (English translation: Global Sunny (Macau) Engineering Limited)	Construction and decoration (indoor and outdoor)	23 December 2015	Cessation of business
Sociedade De Engenharia Sang Fu Limitada (English translation: Sang Fu Engineering Limited)	Construction and decoration (indoor and outdoor)	29 December 2015	Cessation of business

Mr. Cheung was an equity interest holder and a director of the above mentioned companies and as confirmed by Mr. Cheung, the above mentioned companies were solvent as at the time of dissolution. Mr. Cheung also confirmed that there is no wrongful act on his part leading to the above dissolution and winding-up of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the above mentioned companies.

Mr. Cheung Man Tim (張萬添), aged 32, is an executive Director and our Chief Executive Officer. He is primarily responsible for formulating overall business development strategy, execution of daily management and administration of our business and operations. He is also a member of the remuneration committee.

Mr. Cheung Man Tim obtained a bachelor degree of engineering in electrical and electronic engineering from the University of Manchester in June 2008 and a master degree of science in commercial project management from the University of Manchester in November 2009. Mr. Cheung Man Tim is a professional member of The Royal Institution of Chartered Surveyors and a registered Chartered Building Engineer of the Chartered Association of Building Engineers.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Mr. Cheung Man Tim worked in Sweett (China) Limited (a quantity surveying conducting firm) as a senior quantity surveyor from November 2010 to January 2015 who is responsible for the quantity surveying aspects of a variety of projects.

Mr. Cheung Man Tim is the son of Mr. Cheung Yuk Kei who is an executive Director and the Chairman of our Board.

Save as disclosed above, as at the Latest Practicable Date, Mr. Cheung Man Tim (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Fung Chi Chung (馮志忠), aged 52, is our executive Director. Mr. Fung has over 30 years of experience in the construction and engineering industry in Hong Kong. He is primarily responsible for overseeing daily execution of site operation and monitoring occupational health, safety and environmental compliance of our Group.

Mr. Fung joined our Group as the Contract and Quantity Surveyor Manager of Kam Fung in March 2010 and was the Assistant General Manager (Contracts) of our Group. Prior to joining our Group, Mr. Fung's working experience includes:

Name of companies	Principal business activity	Position	Period of service
Hong Kong Telephone Company Limited	Construction	Draughtsman	November 1981 – September 1982
Nishimatsu Construction Company Limited	Construction	Apprentice	October 1982 – February 1985
Water Supplies Department	Construction	Works supervisor	March 1985 – April 1989
Shui On Building Contractors Limited	Construction	Assistant quantity surveyor	March 1989 – November 1989
Frank Kier Limited	Construction	Quantity surveyor	January 1980 – May 1991
Judea Construction Company Limited	Construction	Quantity surveyor	May 1991 – April 1996
Henderson Real Estate Agency Limited	Construction	Senior Supervisor	April 1996 – February 2010

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fung obtained a Certificate (Civil Engineering Studies) from Haking Wong Technical Institute in July 1984, a Higher Certificate (Civil Engineering) from The Hong Kong Polytechnic University in November 1988.

As at the Latest Practicable Date, Mr. Fung (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Independent non-executive Directors

Mr. Miu Hon Kit (繆漢傑), aged 49, was appointed as an independent non-executive Director on 27 September 2016. Mr. Miu is a qualified practising accountant with over 20 years of professional experience in auditing, accounting, compliance, corporate finance and private equity investment. Mr. Miu is a director of LMN Certified Public Accountants Limited since March 2015 and an executive director of FM China Fund Limited since January 2016. He is also an independent non-executive director of Gold Tat Group International Limited (stock code: 8266) and Kong Sun Holdings Limited (stock code: 295) since March 2016 and July 2014 respectively. Mr. Miu has been appointed as an adjunct professor of the Department of Finance, Faculty of Business Administration, Chinese University of Hong Kong since January 2012.

Mr. Miu has extensive corporate finance and private equity/venture capital investment experience and formerly held senior investment roles in the private equity/principal investment department of Daiwa Capital Markets Hong Kong Limited, an investment banking firm, and Asian Direct Capital Management which was a private equity investment firm. He has also worked at Rothschild Asset Management (which was an investment management firm) and KPMG Hong Kong.

Mr. Miu is a fellow member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants), the Association of Chartered Certified Accountants (UK) and the Institute of Chartered Accountants in England and Wales.

Mr. Miu received a Bachelor of Arts in Accountancy with Honours from City University of Hong Kong and a Master of Business Administration in Management from Imperial College London.

Save as disclosed above, as at the Latest Practicable Date, Mr. Miu (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Miu was a director of a limited company registered in Hong Kong, namely, Alexandra Financial Limited, during or within 12 months when it was dissolved by members' voluntary winding up. Alexandra Financial Limited, an investment management firm was dissolved on 8 October 1999. As confirmed by Mr. Miu, the above mentioned company was solvent as at the time of dissolution. Mr. Miu also confirmed that there is no wrongful act on his part leading to the above dissolution and winding-up of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of the above mentioned company.

Mr. Leung Chi Wai (梁智維), aged 48, was appointed as an independent non-executive Director on 27 September 2016. Mr. Leung has over 20 years of extensive experiences in management consulting, practice development and startups across Asia Pacific with global consulting firms, established organisations and startups.

He is currently a director of Digitaura Advisory Company Limited, a firm aspired to create business ventures in the digital space, incubate cross border technology start-ups, develop strategic partnership and alliance, and raise capital to fund the growth of the ventures.

He was a senior manager of KPMG Transaction Advisory Services Limited from 2014 to 2015 and a director of Master Alliance (China) Limited from 2002 to April 2015. He was also a senior associate of McKinsey and Co. from 2000 to 2002, vice president of strategic development of Chase.com, The Chase Manhattan Bank in 2000. He worked in C. Melchers Consulting GmbH & Co. from 1997 to 2000 (at which his last position was senior manager), and was an associate of A.T. Kearney from 1995 to 1996.

Mr. Leung received a Bachelor of Science (Engineering) in Computing Science from Imperial College London in 1990. He subsequently obtained a Master of Science in Engineering-Economic Systems from Stanford University in 1994 and a Postgraduate Certificate of Theological Studies from Bethel Bible Seminary in 2013.

Save as disclosed above, as at the Latest Practicable Date, Mr. Leung (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Seid Ka Him (薛家謙), aged 33, was appointed as an independent non-executive Director on 27 September 2016.

Mr. Seid is currently a Ph.D. candidate majoring in mechanical engineering of The Hong Kong Polytechnic University since July 2009. He was a visiting researcher of the Technical University of Berlin from December 2011 to May 2012 and a research assistant of The Hong Kong Polytechnic University from October 2008 to July 2009. Mr. Seid possesses general knowledge in organisational behavior and economics. Specific expertise in engineering acoustics, computational fluid dynamics and MIC architecture high performance computing.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Seid is an associate member of the Institution of Mechanical Engineers (IMechE). He was graduated with the highest programme total within the engineering discipline group and obtained a Master of Engineering majoring in aeronautical engineering with First Class Honours from the University of Salford in July 2008. He was awarded the outstanding Academic Performance within the Engineering Discipline Group in July 2008.

As at the Latest Practicable Date, Mr. Seid (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

SENIOR MANAGEMENT

Ms. Yu Pik So (余碧素), aged 42, was appointed as the company secretary of our Company on 27 September 2016. Ms. Yu joined our Group as a Financial Controller in January 2015 and is mainly responsible for overseeing the financial operation and overall corporate governance of our Group.

Prior to joining our Group, Ms. Yu worked at Pro-Fit Construction Limited as a senior accountant from June 2014 to September 2014 and promoted to as an assistant financial controller from September 2014 to December 2014. She had also worked at Centron Telecom International Holding Limited as a finance manager from May 2009 to October 2013 and State Street Global Advisors Asia Limited from August 2000 to June 2008 and her last position was an intermediate finance associate.

Ms. Yu obtained a Bachelor of Commerce from Deakin University on 25 September 1999. She was certified as a certified public accountant of The Hong Kong Institute of Certified Public Accountants on 15 May 2007. She was admitted full membership of CPA Australia on 10 December 2015.

During the three years immediately preceding the Latest Practicable Date, Ms. Yu (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas.

Mr. Yeung, Jack (楊社稷), aged 41, is the Assistant General Manager (Administration) of our Group since February 2015. He is mainly responsible for overall management of administration, human resources and co-ordination.

Mr. Yeung has over 10 years of experience in civil engineering and building construction in Hong Kong. Prior to joining us, Mr. Yeung worked as the general manager of Pro-Fit Construction Limited from April 2014 to December 2014. Since June 2010, Mr. Yeung has been serving Fugro Certification Services Ltd, as a part time carbon specialist. He was employed by Robt. Stone – A Business of Tenix Alliance New Zealand Services Limited as an HSE Officer for Kupe Gas Production Station Project from April 2008 to

DIRECTORS AND SENIOR MANAGEMENT

September 2008. He had previously worked for Sino Administration Services Limited from April 2004 to April 2008 and his last position was assistant manager (safety) of the development division from October 2006 to April 2008. He had also worked as a resident inspector of works (safety) of the KCRC East Rail Extension Project TCC 200 in Maunsell Consultants Asia Limited from June 2001 to April 2004, a safety officer in Gammon Construction Limited from March 2001 to May 2001. He worked in Hip Hing Construction Company Limited from March 1999 to February 2001 and his last position was safety officer.

Mr. Yeung obtained a Bachelor of Engineering (Civil) from the University of Auckland in April 1999. He subsequently obtained a Continuing Education Certificate in Safety Auditing (Safety Auditors Training Scheme) from the City University of Hong Kong in March 2002. He was awarded the Postgraduate Diploma in Occupational Safety and Health from the University of Greenwich in October 2006. Since January 2007, he was a Chartered Member of the Institution of Occupational Safety and Health. He completed a course organised by the Association of Energy Engineers, USA on carbon auditor professional course in February 2009. He also completed a course organised by the Department of Continuing Education of the University of Oxford on The Wider Context of Nanotechnology in December 2010.

During the three years immediately preceding the Latest Practicable Date, Mr. Yeung (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas.

Mr. Yeung was a director of a limited company registered in Hong Kong, namely Successfield Realty Company Limited, during or within 12 months when it was dissolved other than by members' voluntary winding up. Successfield Realty Company Limited was a real estate agency business company and was dissolved by de-registration on 2 August 2002. As confirmed by Mr. Yeung, the above mentioned company was solvent as at the time of dissolution. Mr. Yeung also confirmed that there is no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of the above mentioned company.

Mr. Chau Wai Kwong (周偉光), aged 55, is an Assistant General Manager (Projects) of our Group. Mr. Chau joined our Group as a Project Manager in March 2010 and has been an Assistant General Manager (Projects) since 2015. He is mainly responsible for management of site works and quality control of our projects.

Mr. Chau has over 25 years of construction site experience. Prior to joining our Group, Mr. Chau worked in E Man Construction Company Limited from March 1986 to February 2010 and his last position was general foreman.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chau received a certificate for completion of the part-time course for Qualifying Site Supervisors as Technically Competent Persons from the Construction Industry Training Authority in 1999 and a certificate for completion of the part-time Construction Safety Supervisor Course in 2000.

During the three years immediately preceding the Latest Practicable Date, Mr. Chau (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

COMPANY SECRETARY

Ms. Yu Pik So is the company secretary of our Company. Details of her qualifications and experience are set out in the paragraph headed “Senior management” in this section.

REMUNERATION POLICY

Our executive Directors, independent non-executive Directors and senior management receive compensation in the form of director fee, salaries, benefits in kind and discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our executive Directors and senior management for expenses which are necessary and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operation of our Group. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of our Group.

After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme, details of which are set out in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV of this prospectus.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fee, salaries, allowances, discretionary bonus and other benefits as well as contribution to retirement benefit schemes. The total compensation accrued to our Directors for the three years ended 31 March 2014, 2015 and 2016 was approximately HK\$2.3 million, HK\$4.2 million and HK\$5.9 million respectively.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of the Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Mr. Cheung Yuk Kei	2,470,000
Mr. Cheung Man Tim	1,170,000
Mr. Fung Chi Chung	1,170,000
Independent non-executive Directors	
Mr. Miu Hon Kit	216,000
Mr. Leung Chi Wai	216,000
Mr. Seid Ka Kim	120,000

The emoluments in respect of our Group's five highest paid individuals during the Track Record Period are as follows:

	For the year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	3,764	5,633	7,016
Discretionary bonuses	666	1,601	2,459
Retirement scheme contributions	<u>73</u>	<u>72</u>	<u>87</u>
Total	<u><u>4,503</u></u>	<u><u>7,306</u></u>	<u><u>9,562</u></u>

During the Track Record Period, no emoluments were paid by our Group, our Directors or to the above highest paid individuals as (i) an inducement to join or upon joining our Group or (ii) as compensation for loss of office as a director or management of any members of our Group. Furthermore, none of our Directors or the highest paid individuals waived any compensation for the same period.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 27 September 2016 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee of our Company consists of three members, being Mr. Miu Hon Kit, Mr. Leung Chi Wai and Mr. Seid Ka Him. Mr. Miu Hon Kit currently serves as the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 27 September 2016 with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our Company's senior management and to recommend members of the Board.

The remuneration committee of our Company consists of three members, being Mr. Leung Chi Wai, Mr. Cheung Man Tim and Mr. Seid Ka Him. Mr. Leung Chi Wai currently serves as the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 27 September 2016 with its written terms of reference by reference to the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee of our Company consists of three members, being Mr. Cheung Yuk Kei, Mr. Leung Chi Wai and Mr. Seid Ka Him. Mr. Cheung currently serves as the chairman of the nomination committee.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 14 of the Listing Rules.

Our Directors will review our corporate governance policies and compliance with Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed TC Capital International Limited as its compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of the listed issuer under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

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 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, 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 other member of our Group:

Our Company

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested in immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 4)	Percentage of shareholding immediately after completion of the Capitalisation Issue and the Share Offer ^(Note 4)
Mr. Cheung ^(Note 1)	Interest of a controlled corporation ^(Note 1)	573,600,000	75%
Mr. Chan ^(Note 2)	Interest of a controlled corporation ^(Note 2)	573,600,000	75%
Pioneer Investment	Beneficial interest	573,600,000	75%
Ms. Au Yeung Kam Fa ^(Note 3)	Interest of spouse ^(Note 3)	573,600,000	75%

Notes:

1. Mr. Cheung beneficially owns 70% of the issued share capital of Pioneer Investment. Therefore, Mr. Cheung is deemed, or taken to be, interested in all our Shares held by Pioneer Investment for the purpose of the SFO.
2. Mr. Chan beneficially owns 30% of the issued share capital of Pioneer Investment.
3. Ms. Au Yeung is the spouse of Mr. Cheung. Accordingly, Ms. Au Yeung is deemed, or taken to be, interested in all our Shares in which Mr. Cheung is interested for the purpose of the SFO.
4. All interests stated are long positions.

As at the Latest Practicable Date, Mr. Cheung and Mr. Chan were the registered equity interest holders of 70% and 30% interests in Kam Fung, Global Sunny, Sang Fu and Richway Mechanical, respectively.

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 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 any options which may be granted under the Share Option Scheme will be as follows:

HK\$

Authorised share capital

<u>2,000,000,000</u>	Shares	<u>20,000,000</u>
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Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:

10,000	Shares in issue	100
651,390,000	Shares to be issued pursuant to the Capitalisation Issue	6,513,900
<u>113,400,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,134,000</u>
<u>764,800,000</u>	Shares	<u>7,648,000</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 191,200,000 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 27 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 651,390,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 27 September 2016 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$6,513,900 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 Public 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 aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding our Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company 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 section “Further Information About Our Company – Written Resolutions of our sole Shareholder passed on 27 September 2016” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section “Structure and Conditions of the Share Offer – Conditions of the Public 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 aggregate nominal value of our Company’s share capital in issue

SHARE CAPITAL

immediately following completion of the Share Offer and the Capitalisation Issue (excluding our Shares to be issued upon exercise of 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 section “Further Information About Our Company – 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 sections “Further Information About Our Company – Written Resolutions of our sole Shareholder passed on 27 September 2016” and “Further Information About Our Company – 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 section “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.

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

You should read this section in conjunction with our combined financial information, including the notes thereto, as set out in “Appendix I – Accountants’ Report” to this prospectus. The combined financial information has been prepared in accordance with HKFRSs. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and development will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed “Risk Factors” in this prospectus.

OVERVIEW

We are a leading concrete placing subcontractor in Hong Kong. We principally provide concrete placing services and other ancillary services (such as provision of sundry, cleaning services for construction sites and rental of concrete placing machinery) as a subcontractor for various public sector project, including building and infrastructure related projects, and private sector projects, which are mostly building related projects in Hong Kong.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The combined financial information includes the financial information of our Company and all our subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which our Group has control. Our Group controls an entity when our Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to our Group and are de-consolidated from the date that our Group’s control ceases.

Except for the Reorganisation, our Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by our Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Our Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the recognised amount of the acquiree’s identifiable net assets.

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The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by our Group.

FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed “Risk Factors” of this prospectus and those set out below.

Market demand for construction activities

We derive our revenue mainly from concrete placing works, whose demand relates to the number of public and private buildings and infrastructure projects in Hong Kong, which may vary according to a combination of factors including the amount of Government spending, investment prospects of Hong Kong, the demand of buildings and infrastructure, supply of land, population growth, etc.

The increase or decrease in the demand for construction activities would therefore affect the demand of our services. There is no assurance that the number of construction projects in Hong Kong will not decrease in the future and any reduction in the number of construction projects in Hong Kong would adversely and materially affect our business in general and our results of operation.

Direct labour costs and subcontracting charges

Direct labour costs and subcontracting fees represent a significant portion of our direct costs. During the Track Record Period, (i) our direct labour costs represented approximately 64.5%, 72.9% and 73.4% of our direct costs respectively; and (ii) subcontracting fees represented approximately 14.2%, 11.7% and 13.1% of our direct costs respectively. In the preparation of the tender, we can only estimate our concrete placing cost, including direct labour costs and subcontracting fees, with reference to the experience of our management. Once the contract is awarded, in the event we fail to accurately estimate the amount of direct labour costs and subcontracting fees during the tendering stage, or if there is a significant increase in the direct labour costs and subcontracting fees, or where we come across unforeseen circumstances such as technical difficulties or project delay leading to a material increase in the direct labour costs and subcontracting fees, our profitability may be adversely affected and in extreme cases may lead to loss for a project.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's direct labour cost and subcontracting fee on the Group's profit before tax during the Track Record Period. The hypothetical fluctuation rates are set out at 5%, 10% and 20% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in direct labour cost	-20%	-10%	-5%	+5%	+10%	+20%
Increase/(Decrease) in profit before tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2014	20,017	10,008	5,004	(5,004)	(10,008)	(20,017)
Year ended 31 March 2015	33,135	16,568	8,284	(8,284)	(16,568)	(33,135)
Year ended 31 March 2016	45,602	22,801	11,400	(11,400)	(22,801)	(45,602)
Hypothetical fluctuations in subcontracting charges	-20%	-10%	-5%	+5%	+10%	+20%
Increase/(Decrease) in profit before tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2014	4,395	2,197	1,099	(1,099)	(2,197)	(4,395)
Year ended 31 March 2015	5,335	2,667	1,333	(1,333)	(2,667)	(5,335)
Year ended 31 March 2016	8,110	4,055	2,027	(2,027)	(4,055)	(8,110)

Collectability and timing of collection of our trade receivables and retention receivables

We normally receive progress payment from our customers on a monthly basis with reference to the value of works done, and a portion of such payment, normally 10% and subject to a ceiling of up to 5% of the total contract sum, might be withheld by our customers as retention money and will only be remitted to us after the defects liability period. Accordingly, there can be no assurance that our trade receivables and retention money will be remitted by our customers to us on a timely basis and in full. Any late payment, whether arising from payment practice of our customers or delay in completion of the construction project, may adversely affect our future liquidity position.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our combined financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our results of operations and financial position and are set forth in Note 2 of Section II of the Accountants' Report in Appendix I to this prospectus.

In addition, the preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the three years ended 31 March 2016. However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affect in the future. These key assumptions and estimates are set forth in Note 4 of Section II of the Accountants' Report in Appendix I to this prospectus.

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

Accounting policies

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from construction contracts is based on the stage of completion at the end of the reporting period. The percentage of completion is determined using methods that measure reliably the work performed to date relative to the estimated total contract revenue.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 each reporting period, measured based on the proportion that revenue recognised to date with reference to the estimated total contract revenue.

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 by reference to the stage of completion.

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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 billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Accounting estimates

Percentage of completion of construction works

Our Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by our management on the basis of quotations from time to time provided by our major customers and suppliers involved and the experience of our management. In order to keep the budget accurate and up-to-date, our management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

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RESULTS OF OPERATIONS

The following table sets forth the combined statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	187,122	273,560	378,479
Cost of sales	(155,052)	(227,301)	(310,389)
Gross profit	32,070	46,259	68,090
Other income	3,180	3,004	2,851
Administrative and other operating expenses	(13,382)	(21,567)	(32,075)
Operating profit	21,868	27,696	38,866
Finance costs	(1,984)	(1,695)	(1,158)
Profit before income tax	19,884	26,001	37,708
Income tax expense	(3,175)	(4,354)	(7,501)
Profit and total comprehensive income for the year attributable to owners of the Company	16,709	21,647	30,207

DESCRIPTION OF SELECTED ITEMS IN COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue was principally generated from our provision of concrete placing services and other ancillary services. All our projects during the Track Record Period were located in Hong Kong. We undertake concrete placing projects in both public sector projects, including building and infrastructure related projects, and private sector projects, which are mostly building related projects. The following table sets forth the breakdown of our revenue by public and private sectors 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>	%
Private sector	132,791	71.0	235,380	86.0	268,544	71.0
Public sector	<u>54,332</u>	<u>29.0</u>	<u>38,179</u>	<u>14.0</u>	<u>109,935</u>	<u>29.0</u>
	<u>187,122</u>	<u>100.0</u>	<u>273,560</u>	<u>100.0</u>	<u>378,479</u>	<u>100.0</u>

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During the Track Record Period, our revenue was generated from a total of 120 projects. The following tables summarise our projects contributing an aggregate revenue of more than HK\$5.0 million to us for the three years ended 31 March 2016:

Project Short Name	Sector	Status as at Latest Practicable Date	For the year ended 31 March						Aggregate revenue recognised during Track Record Period HK\$'000
			2014		2015		2016		
			HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000
Project # 1	Private	Completed	7,403	4.0	11,629	4.3	4,558	1.2	23,591
Project # 2	Private	Completed	7,858	4.2	5,308	1.9	705	0.2	13,872
Project # 3	Private	Completed	–	–	6,371	2.3	9,516	2.5	15,888
Project # 30	Private	Completed	–	–	–	–	6,026	1.6	6,026
Project # 4	Private	Completed	4,785	2.6	604	0.2	127	0.0	5,517
Project # 32	Private	On-going	–	–	1,421	0.5	5,807	1.5	7,228
Project # 5	Private	Completed	6,961	3.7	3,534	1.3	–	–	10,494
Project # 6	Private	Completed	–	–	2,334	0.9	3,668	1.0	6,001
Project # 33	Public	On-going	–	–	277	0.1	13,515	3.6	13,792
Project # 7	Private	Completed	4,201	2.2	21,885	8.0	4,136	1.1	30,223
Project # 8	Private	Completed	–	–	8,207	3.0	8,215	2.2	16,422
Project # 9	Private	Completed	26,178	14.0	1,756	0.6	–	–	27,933
Project # 35	Private	On-going	302	0.2	7,535	2.8	17,072	4.5	24,909
Project # 10	Public	Completed	13,393	7.2	427	0.2	–	–	13,821
Project # 11	Private	Completed	9,659	5.2	2,087	0.8	72	0.0	11,818
Project # 36	Private	Completed	–	–	1,754	0.6	9,144	2.4	10,898
Project # 12	Public	Completed	19,311	10.3	–	–	–	–	19,311
Project # 13	Private	Completed	–	–	11,059	4.0	1,234	0.3	12,293
Project # 14	Private	Completed	1,612	0.9	3,562	1.3	17	0.0	5,191
Project # 37	Private	Completed	–	–	3,215	1.2	9,294	2.5	12,509
Project # 15	Private	Completed	4,499	2.4	11,033	4.0	–	–	15,532
Project # 38	Private	On-going	–	–	–	–	5,535	1.5	5,535
Project # 39	Public	On-going	–	–	–	–	5,649	1.5	5,649
Project # 16	Private	Completed	–	–	6,436	2.4	8,044	2.1	14,480
Project # 40	Public	On-going	11,895	6.4	31,756	11.6	57,004	15.1	100,655
Project # 43	Private	Completed	–	–	–	–	7,624	2.0	7,624
Project # 46	Private	Completed	640	0.3	5,739	2.1	5,954	1.6	12,333
Project # 17	Private	Completed	540	0.3	3,121	1.1	2,028	0.5	5,689
Project # 18	Private	Completed	–	–	5,132	1.9	–	–	5,132
Project # 19	Private	Completed	5,275	2.8	22,920	8.4	30,695	8.1	58,890
Project # 49	Private	Completed	–	–	1,019	0.4	10,997	2.9	12,016
Project # 20	Public	Completed	–	–	–	–	30,650	8.1	30,650
Project # 50	Private	On-going	10,633	5.7	38,732	14.2	57,498	15.2	106,863
Project # 21	Private	Completed	2,576	1.4	6,562	2.4	89	0.0	9,226
Project # 22	Private	Completed	4,859	2.6	437	0.2	–	–	5,295
Project # 23	Private	Completed	–	–	2,559	0.9	4,002	1.1	6,561
Project # 52	Public	Completed	669	0.4	2,968	1.1	2,110	0.6	5,746
Project # 24	Private	Completed	8,731	4.7	838	0.3	–	–	9,569
Project # 25	Private	Completed	5,638	3.0	14,318	5.2	7,152	1.9	27,108
Others ^{Note 1}			<u>29,505</u>	<u>15.8</u>	<u>27,025</u>	<u>9.9</u>	<u>50,341</u>	<u>13.3</u>	<u>106,872</u>
Total			<u>187,122</u>	<u>100.0</u>	<u>273,560</u>	<u>100.0</u>	<u>378,479</u>	<u>100.0</u>	<u>839,161</u>

Note:

- Others represent 81 projects which contributed aggregate revenue less than HK\$5 million to our Group for the three years ended 31 March 2016.

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Cost of sales

Our Group's cost of sales primarily consisted of staff costs, subcontracting charges, materials and supplies and depreciation of our machinery and equipment. The following table sets out the breakdown of our Group's cost of sales by types and their contribution to the total cost of sales of our Group for each of the year 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>	%
Materials and supplies	13,578	8.8	13,564	6.0	17,696	5.7
Staff costs	100,084	64.5	165,677	72.9	228,008	73.4
Subcontracting charges	21,973	14.2	26,669	11.7	40,548	13.1
Transportation	2,688	1.7	3,728	1.6	4,932	1.6
Depreciation of owned assets	972	0.6	628	0.3	910	0.3
Depreciation of leased assets	7,171	4.6	8,423	3.7	9,937	3.2
Repair and maintenance	3,339	2.2	3,287	1.4	1,294	0.4
Machine rental	1,485	1.0	541	0.2	632	0.2
Site management fee	2,374	1.5	3,983	1.8	6,363	2.1
Other expenses	1,388	0.9	801	0.4	69	0.0
	<u>155,052</u>	<u>100.0</u>	<u>227,301</u>	<u>100.0</u>	<u>310,389</u>	<u>100.0</u>

Staff costs

Being the largest component of our cost of sales during the Track Record Period, staff costs represent the direct labour costs incurred for the provision of our concrete placing works, in particular the salary of our concretors, who are paid by us as day wage, and therefore the amount of our staff cost incurred is positively correspond to the amount of our concrete placing work and hence our revenue during the Track Record Period. Our direct labour costs also include salaries, allowances and other benefits provided for our site agents and safety officers, who are directly involved in the concrete placing projects.

Subcontracting charges

Subcontracting charges represent charges and fees paid to our subcontractors which principally provide sundry works, cleaning works and concrete finishing and screeding that are required by our customers for the completion of the projects undertaken by us.

Materials and supplies

Costs of materials and supplies mainly represent the expenses for the purchase of machinery parts and consumables e.g. diesel fuels and other miscellaneous accessories including personal protective equipment used by our on-site workers e.g. reflective vests and safety helmets. These costs are directly charged to our concrete placing works.

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Depreciation

Depreciation expenses mainly represent the depreciation of our concrete placing machinery and equipment for carrying out the concrete placing works. Depreciation expenses are calculated using straight-line method at 20% of the cost of assets which are self-owned or purchased under finance lease arrangement.

Gross profit and gross profit margin

Our gross profit margin was relatively stable at approximately 17.1%, 16.9% and 18.0% for each of the year during the Track Record Period respectively. Set out below the gross profit and gross profit margin breakdown by the background of our customers:

	For the year ended 31 March					
	2014		2015		2016	
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	23,681	17.8	39,551	16.8	47,884	17.8
Public sector	<u>8,390</u>	<u>15.4</u>	<u>6,708</u>	<u>17.6</u>	<u>20,206</u>	<u>18.4</u>
	<u>32,070</u>	<u>17.1</u>	<u>46,259</u>	<u>16.9</u>	<u>68,090</u>	<u>18.0</u>

Set out below also the revenue, gross profit and gross profit margin breakdown by the construction types:

	For the year ended 31 March								
	2014			2015			2016		
	Revenue	Gross profit margin	Gross profit margin	Revenue	Gross profit margin	Gross profit margin	Revenue	Gross profit margin	Gross profit margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Residential	81,184	10,009	12.3	136,829	17,202	12.6	152,276	23,340	15.3
Commercial	45,096	7,959	17.6	80,409	16,552	20.6	105,445	20,692	19.6
Industrial	40,362	9,890	24.5	11,345	3,401	30.0	10,984	2,277	20.7
Infrastructure	<u>20,480</u>	<u>4,212</u>	<u>20.6</u>	<u>44,976</u>	<u>9,104</u>	<u>20.2</u>	<u>109,774</u>	<u>21,781</u>	<u>19.8</u>
	<u>187,122</u>	<u>32,070</u>	<u>17.1</u>	<u>273,560</u>	<u>46,259</u>	<u>16.9</u>	<u>378,479</u>	<u>68,090</u>	<u>18.0</u>

Though we provide concrete placing services for various building and infrastructure related projects in private and public sector, our concrete placing works and procedures, overall operation and requirements by our private and public customers on our workmanship are substantially similar for all types of projects. Accordingly, our Directors are of the view that no clear benchmark of gross profit margin for each types of our projects.

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Our gross profit margin of each individual project instead depends on a number of factors, including but not limited to, tender price, scope of work, technical complexity, geological conditions of the work sites, variation orders and work schedule required by our customers, and therefore varies from project to project. In particular, other things being constant, we generally recorded higher gross profit margin for projects that (i) require one-time large volume of concrete placing e.g. concrete placing in cap and transfer plate of the buildings so we can leverage on our machinery to perform and rely less on our labour to increase effectiveness and reduce our cost and (ii) experience unexpected tight schedule of completion and therefore require our overtime services, which we shall charge at a relatively higher price per unit of our concrete placing works. It is our Directors' objective to maximise gross profit margin for each project.

Please refer to the section headed "Financial information – Period to period comparison of results of operations" below for a discussion of the fluctuation of our Group's gross profit margin during the Track Record Period.

Other income

Other income mainly comprises rental income from leasing our machinery to third parties, interest income principally from life insurance policies, government grants and insurance compensation for our injured workers. The following table sets out the breakdown of other income for each of the years indicated:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Rental income	2,070	1,247	587
Interest income	81	81	88
Government grants	–	304	–
Insurance claims	647	103	1,382
Others	382	1,269	794
	<u>3,180</u>	<u>3,004</u>	<u>2,851</u>

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Administrative and other operating expenses

Our administrative and other operating expenses consist primarily of staff costs and directors' remuneration, entertainment, rental cost of our office and storage facility for our machinery and equipment, depreciation and motor vehicle expenses. The following table sets out administrative and other operating expenses by nature during the Track Record Period:

	For the year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Auditors' remuneration	105	0.8	200	0.9	200	0.6
Depreciation of owned assets	103	0.8	95	0.4	125	0.4
Depreciation of leased assets	635	4.7	585	2.7	750	2.3
Entertainment	1,034	7.7	1,977	9.2	445	1.4
Insurance	300	2.2	366	1.7	887	2.8
Listing expenses	–	–	1,050	4.9	7,736	24.1
Operating lease rental on premises	1,188	8.9	1,196	5.5	1,174	3.7
Staff costs, including directors' emoluments	7,612	57.0	13,080	60.7	17,284	53.9
Motor vehicle expenses	1,368	10.2	1,438	6.7	1,476	4.6
Loss on disposal of property, plant and equipment	–	–	–	–	14	0.0
Other expenses	<u>1,037</u>	<u>7.7</u>	<u>1,580</u>	<u>7.3</u>	<u>1,984</u>	<u>6.2</u>
	<u><u>13,382</u></u>	<u><u>100.0</u></u>	<u><u>21,567</u></u>	<u><u>100.0</u></u>	<u><u>32,075</u></u>	<u><u>100.0</u></u>

Staff costs represented the largest component of our administrative and other operating expenses during the Track Record Period and included compensation and benefits provided to our administrative staffs and our Directors. Operating lease rental on premises represented lease rental paid for our Group's offices and storage facility for our machinery and equipment. Our tenancy for storage facility has expired in September 2015 and was not renewed. Given the number of our projects on hand and the availability of our machinery for such projects, all of our machinery are operating at full service capacity in construction sites and therefore no storage of idle machinery is required. Motor vehicle expenses were mainly fuel, licence fee, motor vehicle insurance, parking fee and toll fees incurred not directly related in our projects. Depreciation classified as administrative expenses mainly represented depreciation of our leasehold improvements, equipment and motor vehicles which were not involved directly in our projects. Please refer to the section headed "Listing expenses" below in this section for a discussion of our Group's expense in relation to Listing.

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Finance costs

Finance costs comprise interest charges on our interest-bearing bank overdrafts, bank borrowings and finance lease. For details of our borrowings, please refer to the sub-paragraph headed “Description of certain items of combined statements of financial position – Borrowings” in this section.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

Our Group has not been subject to any taxation in the Cayman Island and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the Track Record Period, taking into account a reduction of 75% of the tax payable for the year of assessment 2015/16 subject to a maximum reduction of HK\$20,000 for each business, a reduction of 75% of the tax payable for the year assessment 2014/15 subject to a maximum reduction of HK\$20,000 for each business and a reduction of 75% of the tax payable for the year of assessment 2013/14 subject to a maximum reduction of HK\$10,000 for each business.

Our income tax expenses were approximately HK\$3.2 million, HK\$4.4 million and HK\$7.5 million for each of the three years ended 31 March 2016 respectively; the effective tax rate for the same period was 16.0%, 16.7% and 19.9% respectively. The substantially higher effective tax rate than the statutory tax rate for the year ended 31 March 2016 was mainly attributable to the non-deductible expense in relation to the Listing.

Sang Fu, one of our operating subsidiaries, was allegedly not to have filed its tax returns timely pursuant to the Inland Revenue Ordinance for the year ended 31 March 2015 which should have been filed on 15 November 2015 due to the change in the statutory auditor during the same period and the relevant accounting documents were kept by the former statutory auditor though the same had been repeatedly requested by the current statutory auditor. Notwithstanding Sang Fu has made an application for extension of time for filing on 16 November 2015 and has filed such return on 16 December 2015, Sang Fu received a notice issued by the Inland Revenue Department (“**IRD**”) which requesting Sang Fu to submit a written representation to state reasons for the late filing. The written representation has been made.

In this connection, the Group has engaged an independent tax advisor (the “**Tax Advisor**”) for an opinion as to the potential penalty as a result of such alleged late in filing. The Tax Advisor opines that due to the culpability and cooperation of Sang Fu, the penalty would be insignificant at an approximate sum of HK\$30,000. Based on the Tax Opinion, the management of the Company considered that the amount of potential tax penalty that might be imposed by the IRD is immaterial, and hence no provision for such amount has been made to the financial information of the Group for the Track Record Period accordingly. The Group will duly settle the penalty (if any) in accordance with the requirement of the IRD.

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Other than disclosed above, our Directors confirm that the members of the Group were not aware of any disputes or unresolved tax issues with any tax authorities as at the Latest Practicable Date.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2016 compared with year ended 31 March 2015

Revenue

Our revenue generated from concrete placing and other ancillary services increased by approximately HK\$104.9 million or 38.4% from approximately HK\$273.6 million for the year ended 31 March 2015 to approximately HK\$378.5 million for the year ended 31 March 2016.

The increase was primarily due to (i) the increase in revenue of approximately HK\$85.2 million for the commencement of projects in particularly for Project # 20, Project # 38, Project # 30 and Project # 43 which contributed approximately HK\$49.8 million of the increase in aggregate and (ii) the increase in revenue of approximately HK\$123.6 million due to the increase in our concrete placing works and scale from prior year in particular for Project # 40, Project # 50, Project # 33, Project # 49, Project # 35, Project # 36, Project # 37 and Project # 19 which contributed approximately HK\$98.0 million of the increase in aggregate.

The increase was partially offset by (i) the absence in revenue of approximately HK\$35.2 million for the completion of our concrete placing works for certain projects in prior year and therefore generate no revenue for the year ended 31 March 2016 in particularly for the completion of Project # 15 and Project # 18 which contributed approximately HK\$16.2 million of the decrease and (ii) the decrease in revenue of approximately HK\$68.7 million due to the decrease in our concrete placing works and scale from prior year in particular for Project # 7, Project # 13, Project # 25, Project # 1, Project # 21 and Project # 2 which contributed approximately HK\$52.9 million of the decrease in aggregate.

Cost of sales

Cost of sales increased from approximately HK\$227.3 million for the year ended 31 March 2015 to approximately HK\$310.4 million for the year ended 31 March 2016, or approximately 36.6% which was similar to the extent of increase in our revenue in the same year. In particular, our direct labour costs, being the largest component of our cost of sales, increased by 37.6% in the same year.

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Gross profit and gross profit margin

Our Group's total gross profit increased by approximately 47.2%, from approximately HK\$46.3 million for the year ended 31 March 2015 to approximately HK\$68.1 million for the year ended 31 March 2016, principally led by the increase in our revenue and improved gross profit margin for the same period. Our gross profit margin improved from 16.9% for the year ended 31 March 2015 and 18.0% for the year ended 31 March 2016.

Our gross profit margin varied substantially from project to project. Further details can be referred to the above paragraph headed "Description of selected items in combined statements of profit or loss and other comprehensive income – Gross profit and gross profit margin" of this section.

The improvement in our gross profit margin was principally resulted from the commencement of Project # 20 (which recorded a relatively higher gross profit margin) and the increase in our concrete placing works and scale in Project # 50 (which recorded a relatively higher gross profit margin), of which was partially offset by the increase in our concrete placing works and scale in Project # 40 (which recorded a relatively lower gross profit margin).

We pursued an aggressive pricing strategy in bidding for the Project # 20 due to the technical complexity for its underground works nature and therefore it led to our failure in securing the project during the tender stage. Nevertheless, we had been subsequently awarded the project from the customer as the previous successful bidders withdrew from the project due to the technical difficulties they encountered during their operation. Relying on our strong experience in carrying out different types of concrete placing projects, we are able to deliver our service that meets the requirement of our customers and enjoy a higher gross profit margin due to our aggressive pricing for the project.

The customer of the commercial building of Project # 50 is also the owner and user of the building and therefore require a relatively higher standard and quality of service in each particular area of the entire construction works including the concrete placing part. Leveraging on our strong position in the industry, the tender price we submitted for this project is therefore aggressive and resulted in a relatively higher gross profit margin.

Project # 40 recorded a lower gross profit margin due to the frequent amendment in project design and therefore resulted in unexpected delay in the progress of the project which led to an unexpected increase in the cost of operation in particular our direct staff cost given the increase in average daily wage of the concretors in HK during the same period.

Other income

The slight decrease in our other income from approximately HK\$3.0 million for the year ended 31 March 2015 to approximately HK\$2.9 million for the year ended 31 March 2016 was mainly due to the decrease in our rental income from leasing our concrete placing machinery and equipment to other third parties. Given the increase in our scale of operation

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as reflected from the increase in our revenue in the same period, we remained our machinery and equipment for our own use. Such decrease was partially alleviated by the increase in our insurance compensation for our injured workers in the same period.

Administrative and other operating expenses

Our Group's administrative and other operating expenses increased by approximately HK\$10.5 million or 48.7%, from approximately HK\$21.6 million for the year ended 31 March 2015 to approximately HK\$32.1 million for the year ended 31 March 2016, which was mainly resulted from (i) the increase in our listing expenses, (ii) increase in our directors' emoluments mainly due to increase in the discretionary bonuses paid to our Directors and (iii) increase in our staff cost due to net increase in the number of our staff given the expansion of our operation in the same period. Such increases was partially offset by the decrease in our entertainment expenses in the same period.

Finance costs

Finance costs decreased from approximately HK\$1.7 million for the year ended 31 March 2015 to approximately HK\$1.2 million for the year ended 31 March 2016 principally due to the decrease in the interest on finance lease given with the balance of our finance lease liability decrease from approximately HK\$36.0 million as at 31 March 2015 to approximately HK\$14.7 million as at 31 March 2016.

Income tax expense

Our income tax expense increased from approximately HK\$4.4 million to approximately HK\$7.5 million due to the increase in our profit before income tax from approximately HK\$26.0 million to approximately HK\$37.7 million resulted from the growth in our revenue for the year ended 31 March 2016.

Profit for the year and net profit margin

As a result of the foregoing, our Group's profit increased by approximately HK\$8.6 million, or 39.5%, from approximately HK\$21.6 million for the year ended 31 March 2015 to approximately HK\$30.2 million for the year ended 31 March 2016. Our net profit margin slightly increased to 8.0% for the year ended 31 March 2016 as compared to 7.9% for the preceding year. The slight improvement in net margin is mainly attributable to the increase in our gross profit margin; which was offset by the increase in our Listing expenses during the period.

Year ended 31 March 2015 compared to year ended 31 March 2014

Revenue

Our revenue generated from concrete placing and ancillary services increased by approximately HK\$86.4 million or 46.2% from approximately HK\$187.1 million for the year ended 31 March 2014 to approximately HK\$273.6 million for the year ended 31 March 2015.

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The increase was primarily due to (i) the increase in revenue of approximately HK\$69.7 million for the commencement of projects in particular for Project # 13, Project # 8, Project # 16, Project # 3 and Project # 18 which contributed approximately HK\$37.2 million of the increase in aggregate and (ii) the increase in revenue of approximately HK\$130.3 million due to the increase in our concrete placing works and scale from prior year in particular for Project # 50, Project # 40, Project # 19, Project # 7, Project # 25, Project # 35, Project # 15 and Project # 46 which contributed approximately HK\$110.8 million of the increase in aggregate.

The increase was partially offset by (i) the absence in revenue of approximately HK\$42.8 million for the completion of our concrete placing works in prior year and therefore generate no revenue for the year ended 31 March 2015 in particular for the completion of Project # 12 which contributed approximately HK\$19.3 million of the decrease and (ii) the decrease in revenue of approximately HK\$70.8 million due to the decrease in our concrete placing works and scale from prior year in particular for Project # 9, Project # 10, Project # 24 and Project # 11 which contributed approximately HK\$52.9 million of the decrease in aggregate.

Cost of sales

Cost of sales increased from approximately HK\$155.1 million for the year ended 31 March 2014 to approximately HK\$227.3 million for the year ended 31 March 2015, or approximately 46.6%, which was similar to the extent of increases in our revenue in the same year.

Gross profit and gross profit margin

Our Group's total gross profit increased by approximately HK\$14.2 million, or 44.2%, from approximately HK\$32.1 million for the year ended 31 March 2014 to approximately HK\$46.3 million for the year ended 31 March 2015. Our gross profit margin slightly decreased from 17.1% for the year ended 31 March 2014 to 16.9% for the year ended 31 March 2015.

Our gross profit margin varied substantially from project to project. Further details can be referred to the paragraph headed "Description of selected items in combined statements of profit or loss and other comprehensive income – Gross profit and gross profit margin" of this section.

The slight decrease in our gross profit margin was principally decrease in our concrete placing works in Project # 9 (which recorded a relatively higher gross profit margin) and the completion of Project # 12 (which recorded a relatively higher gross profit margin), and increase in our concrete placing works in Project # 40 (which recorded a relatively lower gross profit margin) of which was partially alleviated by the increase in our concrete placing works in Project # 50 (which recorded a relatively higher gross profit margin).

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Project # 9 is a development of logistic center which characterised with extensive and thick foundation cap and therefore we can utilise our machinery to place a large volume of concrete for each day of operation and require less labour to perform and therefore recorded a higher gross profit margin.

The reasons for higher gross profit margin of Project #12 was principally due to the unexpected urgency of completion required by the customers of this project and therefore we charged a higher per unit rate to the customers for our works.

Please refer to the section headed “Period to period comparison of results of operations – Year ended 31 March 2016 compared with year ended 31 March 2015 – Gross profit and gross profit margin” in this section for the reasons for lower gross profit margin of Project #40 and higher gross profit margin of Project #50.

Administrative and other operating expenses

Our Group’s administrative and other operating expenses increased by approximately HK\$8.2 million to approximately HK\$21.6 million for the year ended 31 March 2015 from approximately HK\$13.4 million for the year ended 31 March 2014, led by the increase in our staff costs, including directors’ emoluments resulted from the net increase in number of our staffs during the year and the occurrence of our listing expenses for the year ended 31 March 2015.

Finance costs

Our finance costs decreased from approximately HK\$2.0 million for the year ended 31 March 2014 to approximately HK\$1.7 million for the year ended 31 March 2015. The decrease was mainly attributable to the decrease in interest charges on bank borrowings given the decrease in our bank borrowing balances from approximately HK\$2.9 million as at 31 March 2014 to approximately HK\$1.7 million as at 31 March 2015.

Income tax expense

Our income tax expense increased from approximately HK\$3.2 million to approximately HK\$4.4 million principally due to the increase in our profit before income tax from approximately HK\$19.9 million to approximately HK\$26.0 million resulted from the growth in our revenue for the year ended 31 March 2015.

Profit for the year and net profit margin

As a result of the foregoing, the profit for the year increased from approximately HK\$16.7 million for the year ended 31 March 2014 to approximately HK\$21.6 million for the year ended 31 March 2015. Our net profit margin decreased to 7.9% for the year ended 31 March 2015 as compared to 8.9% for the preceding year. The decrease in net profit margin is mainly attributable to the decrease in our gross profit margin and occurrence of Listing expenses for the year ended 31 March 2015.

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COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the combined statements of financial position during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	29,812	44,339	34,090
Deposits and prepayments life insurance policies	<u>3,322</u>	<u>3,403</u>	<u>3,491</u>
	<u>33,134</u>	<u>47,742</u>	<u>37,581</u>
Current assets			
Trade and other receivables	29,183	41,175	53,377
Gross amounts due from customers for contract work	46,987	40,605	52,500
Amounts due from shareholders	–	–	6,148
Current income tax recoverable	–	35	4,252
Cash and bank balances	<u>7,204</u>	<u>21,667</u>	<u>67,744</u>
	<u>83,374</u>	<u>103,482</u>	<u>184,021</u>
Total assets	<u>116,508</u>	<u>151,224</u>	<u>221,602</u>
EQUITY			
Capital and reserves			
Combined capital	–	–	10
Retained earnings	<u>32,973</u>	<u>54,620</u>	<u>84,827</u>
Total equity	<u><u>32,973</u></u>	<u><u>54,620</u></u>	<u><u>84,837</u></u>

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	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	17,097	13,743	5,449
Deferred tax liabilities	<u>1,889</u>	<u>3,274</u>	<u>3,922</u>
	<u>18,986</u>	<u>17,017</u>	<u>9,371</u>
Current liabilities			
Trade and other payables	13,334	23,468	40,717
Gross amounts due to customers for contract work	4,797	16,775	36,386
Amounts due to shareholders	27,791	10,298	–
Amount due to a related company	3,452	–	–
Borrowings	12,884	23,983	50,291
Current income tax liabilities	<u>2,291</u>	<u>5,063</u>	<u>–</u>
	<u>64,549</u>	<u>79,587</u>	<u>127,394</u>
Total liabilities	<u>83,535</u>	<u>96,604</u>	<u>136,765</u>
Total equity and liabilities	<u>116,508</u>	<u>151,224</u>	<u>221,602</u>
Net current assets	<u>18,825</u>	<u>23,895</u>	<u>56,627</u>
Total assets less current liabilities	<u>51,959</u>	<u>71,637</u>	<u>94,208</u>

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DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

The following table sets out the respective carrying values of our Group's property, plant and equipment as at the respective dates as indicated:

	Machinery and equipment	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at					
31 March 2014	27,575	–	35	2,202	29,812
31 March 2015	41,902	183	17	2,237	44,339
31 March 2016	31,391	73	11	2,615	34,090

As shown in the table above, our Group's property, plant and equipment consist of majorly machinery and equipment. We purchased our machinery and equipment mainly with our internally generated resources and/or through hire-purchase arrangements. Machinery and equipment are primarily the various types of machinery for our concrete placing works, which would require among others, boom pumps, stationary pumps, truck-mounted concrete pumps, placing booms and other ancillary machinery.

The machinery and equipment had a carrying amount of approximately HK\$27.6 million as at 31 March 2014, which increased to approximately HK\$41.9 million as at 31 March 2015 due to the purchase of a number of new machinery of a total of approximately HK\$25.2 million including boom pumps, placing booms and truck-mounted concrete pumps, partially offset by depreciation. The carrying amount of machinery and equipment then decreased to approximately HK\$31.4 million as at 31 March 2016 as a result of the depreciation charges outran the amount of our purchase of placing booms and truck-mounted concrete pumps of a total of approximately HK\$3.8 million. For further details of the machinery for our Group's operations, please refer to the section headed "Business – Machinery" of this prospectus.

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Most of our machinery and equipment and motor vehicles were purchased by entering into finance lease arrangements during the Track Record Period. The net book value of our machinery and equipment under finance lease represented approximately 96.9%, 96.0% and 86.3% of the total net book value of our machinery and equipment as at 31 March 2014, 2015 and 2016, respectively. On the other hand, the net book value of our motor vehicles under finance lease represented approximately 97.8%, 98.2% and 99.5% of the total net book value of our motor vehicles as at 31 March 2014, 2015 and 2016, respectively. The following table sets out the net carrying amount of machinery and equipment and motor vehicles under finance leases as at the dates indicated:

Machinery and equipment

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – capitalised finance leases	41,970	65,601	65,601
Accumulated depreciation	(15,258)	(25,382)	(38,502)
Net book value	26,712	40,219	27,099

Motor vehicles

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – capitalised finance leases	3,177	3,588	4,742
Accumulated depreciation	(1,024)	(1,392)	(2,141)
Net book value	2,153	2,196	2,601

Deposits and prepayments for life insurance policies

We purchased life insurance policies in September 2009 and September 2012 for Mr. Chan and Mr. Cheung as insured with the members of our Group as beneficiary as a pledge to secure our bank overdrafts and bank borrowings respectively. The total insured sums are US\$1.5 million (equivalent to approximately HK\$11.7 million). Our Group was required to pay a one-off premium payment of a total of US\$435,120 (equivalent to approximately HK\$3.4 million) for the two life insurance policies. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policies and the deposits placed are carried at amortised cost using the effective interest method.

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Trade and other receivables

Our trade and other receivables consisted of (i) trade receivables; (ii) other receivables, deposits and prepayments and (iii) retention receivables. The following table sets out the breakdown of trade and other receivables as at the dates indicated:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	4,069	8,530	15,018
Other receivables, deposits and prepayments	1,736	5,938	1,583
Retention receivables	<u>23,378</u>	<u>26,707</u>	<u>36,776</u>
	<u><u>29,183</u></u>	<u><u>41,175</u></u>	<u><u>53,377</u></u>

Trade receivables

In general, we submit an interim payment application to our customers on a monthly basis with details relating to the amount of work done. Once we have provided our interim payment application to our customer, the application would be reviewed and verified by our customers within 5 to 21 days before the customer issuing payment certificate. Our customers normally make payments to us within 7 to 14 days in general from the date of issue of payment certificate to us. Trade receivables represent work performed by us and certified by our customer before the end of reporting period but not yet settled.

Our trade receivables increased from approximately HK\$4.1 million as at 31 March 2014 to approximately HK\$8.5 million as at 31 March 2015 and further to approximately HK\$15.0 million as at 31 March 2016 along with the increase in our revenue.

The following table sets out our ageing analysis of trade receivables from clients, presented based on date of payment certificates issued by our customers, as at the dates indicated:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	2,295	4,765	10,977
31-60 days	86	3,315	3,041
61-90 days	–	–	753
Over 90 days	<u>1,688</u>	<u>450</u>	<u>247</u>
	<u><u>4,069</u></u>	<u><u>8,530</u></u>	<u><u>15,018</u></u>

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Credit terms granted to our customers vary from contract to contract. The credit period granted to customers ranges from 14 to 60 days in general from our application of interim payment to our customer. Approximately HK\$3.1 million, HK\$4.2 million and HK\$7.8 million of our trade receivables as at 31 March 2014, 2015 and 2016 respectively were past due but not impaired. Trade receivables which were past due but not impaired related to a number of customers that had a good track record of credit with us. Based on past credit history, our Directors believe that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

As at the Latest Practicable Date, 98.4% of the trade receivables outstanding as at 31 March 2016 were settled.

The following table sets out the trade receivables turnover days for the year indicated:

	As at 31 March		
	2014	2015	2016
	<i>days</i>	<i>days</i>	<i>days</i>
Trade receivables turnover days	11.8	8.4	11.4

Note: Trade receivables turnover days is calculated by the average trade receivables, net of impairment, as at the respective year ended divided by the total revenue for the year and multiplied by 365.

The relatively low and stable trade receivables turnover days was primarily attributable to our efforts in maintaining stringent credit controls and high credibility of our private and public customers.

Retention receivables

Retention money is retained by some of our customers at a rate of 10% usually of each interim payment made to us, subject to a cap of 5% of the contract sum. 50% of the retention money is released to us upon completion of concrete placing works by us or the whole construction projects by the main contractors and the remaining 50% will be released to us upon expiration of the defects liability period of a project, which is 12 months in general.

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The following table sets out the ageing analysis of the retention receivables based on the date of payment certificate issued by our customers, as at the dates indicated:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	17,720	22,630	31,308
Between 1 and 2 years	5,658	1,630	4,552
Between 2 and 3 years	–	2,447	886
Between 3 and 4 years	–	–	30
	<u>23,378</u>	<u>26,707</u>	<u>36,776</u>

Our retention receivables increased from approximately HK\$23.4 million as at 31 March 2014 to approximately HK\$26.7 million as at 31 March 2015 and further to approximately HK\$36.8 million as at 31 March 2016 alongside with the increase in our revenue and trade receivables in the same period. All of our retention receivables were not yet past due as at 31 March 2014, 2015 and 2016.

Other receivables, deposits and prepayments

Prepayments and deposits mainly represented prepayments and deposits paid for (i) the rental of office properties, (ii) acquisition of machinery and equipment and (iii) other utilities. Our other receivables, deposits and prepayments increased significantly from approximately HK\$1.7 million as at 31 March 2014 to approximately HK\$5.9 million as at 31 March 2015 due to our prepayment for Listing expenses. Our other receivables, deposits and prepayments returned to approximately HK\$1.6 million as at 31 March 2016.

Gross amounts due from/to customers for contract work

We recognise our revenue from construction contracts based on the stage of completion of the contracts as certified by our customers and our customers issue interim certificate which our billing bases upon. Our Group records gross amounts due from customers for contract work when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is greater than the amount of progress billings of the project. On the other hand, our Group records gross amounts due to customers for contract work when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is less than the amount of progress billings of the project.

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The following table sets out our Group's gross amounts due from/to customers for contract work as at each reporting date:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amounts due from customers for contract work	46,987	40,605	52,500
Gross amounts due to customers for contract work	4,797	16,775	36,386
Net amounts due from customers for contract work	42,190	23,830	16,114

The amounts due from/to customers for contract work are usually affected by the volume and value of the works we performed close to the end of each reporting period and the timing of receiving interim certificates, and thus vary from period to period.

Current income tax liabilities and current income tax recoverable

Our current income tax liabilities as at 31 March 2014, 2015 and 2016 were approximately HK\$2.3 million, HK\$5.1 million and nil, respectively and our current income tax recoverable as at 31 March 2014, 2015 and 2016 were nil, approximately HK\$0.04 million and HK\$4.3 million, respectively. Correspondingly, our current income tax expenses for the three years ended 31 March 2016 were approximately HK\$1.1 million, HK\$3.0 million and HK\$6.9 million respectively and our tax paid for the same period were approximately HK\$1,000, HK\$0.2 million and HK\$16.1 million respectively.

The disparity between the current income tax expenses for the year ended 31 March 2014 and 2015 and the tax paid for the year ended 31 March 2015 and 2016 (which mainly correspond to the year of assessment 2013/14 and 2014/15) was mainly due to difference between the financial results reported in the statutory financial statements of subsidiaries of our Company and the amount as reported in the Accountants' Report for the preparation of Listing (the "**Difference**").

The Directors confirm that the Difference principally resulted from the change in our statutory auditor for the preparation of the Listing and hence a change in adoption of accounting policies in terms of revenue and cost recognition from "engineering service income" under Small and Medium-sized Entity Financial Reporting Standard for the year ended 31 March 2014 to "Construction revenue and costs" under Hong Kong Financial Reporting Standards for the year ending 31 March 2015 in preparing the respective statutory financial statements of subsidiaries of the Company. Nevertheless, the former statutory auditor and the new statutory auditor both expressed an opinion that the financial statements of the subsidiaries of the Company were properly drawn in accordance with the applicable

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accounting standards and gave a true and fair view of the financial positions of the subsidiaries of the Company for the respective years. Details of the Difference are as follows:

- a) for Kam Fung and Sang Fu, the profit before taxation reported under their statutory accounts were lower than that reported under the Accountants' Report for the year ended 31 March 2014, while the profit before taxation reported under their statutory accounts were higher than that reported under the Accountants' Report for the year ended 31 March 2015;
- b) for Richway Mechanical, the profit before taxation reported under its statutory accounts was higher than that reported under the Accountants' Report for the year ended 31 March 2014, while the loss before taxation reported under its statutory accounts was higher than that reported under the Accountants' Report for the year ended 31 March 2015;
- c) for Global Sunny, the profit before taxation reported under its statutory accounts was lower than that reported under the Accountants' Report for the two years ended 31 March 2015; and
- d) the aggregate profit before taxation stated in the statutory accounts for the two years ended 31 March 2015 of Kam Fung, Sang Fu and Richway Mechanical were higher than that reported under the Accountants' Report; while for Global Sunny, there was an immaterial understatement of approximately HK\$0.2 million of aggregate profit before taxation stated in the statutory accounts than that reported under the Accountants' Report for the same period.

Given the Reporting Accountants do not rely on the aforesaid statutory financial statements for the preparation of the Accountants' Report but instead carry out appropriate audit procedures on the combined financial statements of the Group prepared by the Directors based on the statutory financial statements of the subsidiaries of the Company after making certain adjustments to comply with HKFRSs issued by the HKICPA, the aforesaid change in adoption of accounting policies in the statutory financial statements of the subsidiaries of the Company for the year ended 31 March 2015 do not affect the true and fair opinion in relation to the Accountants' Report.

The subsidiaries of the Company have reported to IRD their profits or losses based on the financial results shown in their statutory accounts, incorporated with the relevant tax adjustments. Therefore, (i) the income tax paid by the Group during the year ended 31 March 2015 (which correspond to the year of assessment 2013/14) was significantly lower than its current income tax expense for the year ended 31 March 2014 and (ii) the income tax paid by the Group during the year ended 31 March 2016 (which correspond to the year of assessment 2014/15) was significantly higher than its current income tax expense for the year ended 31 March 2015. Furthermore, the current income tax liabilities position of the Group was transited to current income tax recoverable position during the Track Record Period due to the higher provisional tax amount the Group prepaid for the year of assessment 2015/16 given such provisional amount was estimated using the profits reported

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under the statutory financial statements for the year ended 31 March 2015. Our Directors confirm that the members of the Group were not aware of any disputes with the IRD in relation to the Difference.

In view of the matters in relation to the Difference, the Group has engaged an independent tax consultant, which is the tax department of one of the four largest international auditing, tax and advisory firms to issue an opinion concerning (i) whether or not the Difference constitutes to any offence under the Inland Revenue Ordinance (“**IRO**”); and (ii) whether the subsidiaries of the Company are required to report the Difference to IRD under the IRO and, if so, (iii) the possible tax payable and related potential penalty or interest costs or surcharges to be incurred (the “**Opinion**”). Set out below are the key findings of the Opinion:

(i) *Whether or not the Difference constitutes to any offence under the Inland Revenue Ordinance*

1. The profits tax return and computations submitted by the subsidiaries of the Company to IRD for the two years ended 31 March 2015 were in line with the principles issued by the IRD (i.e. assessable profits or losses of a taxpayer must be ascertained in accordance with the ordinary principles of commercial accounting, as modified to conform with the IRO) and it is reasonable for the Group to prepare their tax computations for the said two years based on profits recognised in their respective statutory accounts given:
 - a) the adoption of “engineering service income” under Small and Medium-sized Entity Financial Reporting Standard by the subsidiaries of the Company in preparing their financial statements for the year ended 31 March 2014 is reasonably justified given the short time span of the projects undertaken by the Group (8 to 24 months) and therefore it is the management’s understanding that there should not be a significant timing difference in terms of recognition of the revenue;
 - b) though the new statutory auditor considered that the approach in recognition of construction revenue and costs of the subsidiaries of the Company under the “Construction revenue and costs” under Hong Kong Financial Reporting Standards would be more accurate, the fact that the new statutory auditor did not propose to restate the respective statutory account suggests that it did not consider the financial results for the year ended 31 March 2014 were misstated; and
 - c) both the former and new statutory auditors have expressed an opinion that the respective statutory accounts gave a true and fair view of the financial positions of the subsidiaries of the Company.

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2. The penalty provisions under the IRO e.g. Section 80(2) i.e. making an incorrect return without reasonable excuses and Section 82 i.e. wilfully with intent to evade tax, should not be applicable to the Group companies for their lower profit before taxation reported under their statutory accounts than that reported under the Accountants' Report in the relevant year of assessment, given:
 - a) the tax return submitted by the Group companies were prepared based on the profits recognized in the respective statutory accounts, which the former and new statutory auditors have expressed an opinion that the statutory accounts gave a true and fair view of the Group companies' financial positions. Accordingly, the potential accusations of making "incorrect" tax returns should not withstand;
 - b) the aggregate profit before tax stated in the statutory accounts of Kam Fung, Sang Fu and Richway Mechanical for the two years ended 31 March 2015 indeed exceeded the aggregate profits before tax reported under the Accountants' Report for the same period and therefore the above fact should render support that the Group did not have an intention to deliberately omit or avoid tax; and
 - c) the Difference essentially arose from the professional judgments of two different auditors based on 2 different recognised and accepted accounting standards only. It should not automatically lead to the allegation that the Group companies have any wilful intention to evade tax.

(ii) Whether the subsidiaries of the Company are required to report the Difference to IRD under the IRO

1. Given points 1 and 2 under paragraph (i) disclosed above, the Group should have a reasonable basis not to report the Difference to IRD, especially that the relevant profits tax returns and computations have already been reported based on the statutory accounts prepared in accordance with the ordinary principles of commercial accounting as modified to conform with the IRO and both the former and new statutory auditors have expressed an opinion that the respective statutory accounts gave a true and fair view of the financial positions of the subsidiaries of the Company.

(iii) The possible tax payable and related potential penalty/interest costs/surcharges to be incurred

1. The practical risk for the IRD to challenge the Difference with regards to Kam Fung, Sang Fu and Richway Mechanical would be remote as the aggregate profits stated in the relevant statutory accounts for the two years ending 31 March 2015 were more than those reported under the Accountants' Report for the same period; and

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2. For Global Sunny, even if the IRD were to challenge the relevant Difference, the potential additional assessable profit for the two years ended 31 March 2015 was approximately HK\$0.2 million and the corresponding potential additional tax liabilities for the same period should be limited and estimated to be approximately HK\$40,000, being approximately HK\$0.2 million times 16.5%. In addition, based on the discussion in (i) above, Global Sunny should have a reasonable basis to refute the IRD's potential challenge on this issue if it were to seek the penalty provisions under the IRO.

The Directors also confirmed that there was an accumulated loss of approximately HK\$0.3 million carried forward for Global Sunny as at 31 March 2015. Therefore even if the IRD raised any additional assessable profit on Global Sunny due to the relevant Difference, its potential additional tax liabilities would be nil.

Moreover, the Controlling Shareholders have agreed to indemnify the Group in respect of any tax liability and/or the resulting penalty or surcharge as assessed by the IRD in relation to the Difference for which the Group may be liable.

Based on the Opinion, the Sponsor is of the view that (a) given the relevant profits tax returns and computations submitted by the Group companies to the IRD have been already reported based on the statutory accounts that prepared in accordance with the ordinary principles of commercial accounting as modified to conform with the IRO and both the former and new statutory auditors have expressed an opinion that the respective statutory accounts gave a true and fair view of the financial positions of the Group companies and the independent tax consultant's view that the Group have a reasonable basis not to report the Difference to IRD, the Group companies therefore reported a true and accurate taxable profit to the IRD for the two years ended 31 March 2015, (b) the Difference arising from the adoption of 2 different recognised and accepted accounting policies of 2 auditors shall impose no legal and financial effect on the Group companies given the penalty provisions under the IRO should not be applicable in relation to the Difference.

The Sponsor is also of the view that the possibility of the reoccurrence of the Difference is considered to be remote given (i) the subsidiaries of the Company have adopted "Construction revenue and costs" under Hong Kong Financial Reporting Standards since the year ending 31 March 2015 and (ii) the Group shall engage a qualified accounting firm to perform annual audit on the Group upon successful Listing and therefore it is expected that the difference between the financial results reported under the statutory accounts and other reports (e.g. annual reports) shall be minimal in future.

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Trade and other payables

The following table sets forth a breakdown of trade and other payables as at the dates indicated:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	4,286	5,984	11,731
Accruals and other payables	<u>9,048</u>	<u>17,484</u>	<u>28,986</u>
	<u><u>13,334</u></u>	<u><u>23,468</u></u>	<u><u>40,717</u></u>

Trade payables

Our trade payables mainly represented amounts payable to our suppliers of goods and services and subcontractors.

Our trade payables increased from approximately HK\$4.3 million as at 31 March 2014 to approximately HK\$6.0 million as at 31 March 2015 and further increased to approximately HK\$11.7 million due to expansion of our operation as therefore increase in our purchase of materials and supplies and subcontracting charges in the same period.

The following table sets out the ageing analysis of our trade payables as at the end of each of the reporting dates presented based on the invoice dates:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	3,548	4,915	10,049
31-60 days	179	543	1,591
61-90 days	203	221	27
Over 90 days	<u>356</u>	<u>305</u>	<u>64</u>
	<u><u>4,286</u></u>	<u><u>5,984</u></u>	<u><u>11,731</u></u>

As at the Latest Practicable Date, all of the trade payables outstanding as at 31 March 2016 were settled.

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The following table sets out our trade payables turnover days during the year indicated:

	As at 31 March		
	2014	2015	2016
	<i>days</i>	<i>days</i>	<i>days</i>
Trade payables turnover days	14.7	8.2	10.4

Note: Trade payables turnover days is calculated by the average trade payables as at the respective year ended divided by the total cost of sales for the year and multiplied by 365.

In general, there was no specific credit term granted by our suppliers but we usually take 7 to 30 days to settle our payables.

Accruals and other payables

Accruals and other payables mainly represented accruals for employee salaries and allowances. The increase in our accruals and other payables from approximately HK\$9.0 million as at 31 March 2014 to approximately HK\$17.5 million as at 31 March 2015 and further to approximately HK\$29.0 million as at 31 March 2016 was mainly attributable to the increase in accrued salaries to our concretors due to our expanded scale of operation.

Amounts due from/to shareholders and a related company

We recorded the amounts due to shareholders of approximately HK\$27.8 million and approximately HK\$10.2 million as at 31 March 2014 and 2015, respectively, which mainly represented advances by the shareholders for financing the daily operations of our Group. We recorded the amounts due from shareholders of approximately HK\$6.1 million as at 31 March 2016. The amounts due from/to shareholders were unsecured, interest free and have no fixed terms of repayment and will be fully settled upon Listing.

The amount due to a related company of approximately HK\$3.5 million as at 31 March 2014 represented the advances by Kam Kee, which is wholly owned by Mr. Chan, and principally performs of steel works.

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Borrowings

Our borrowings comprise bank overdrafts, bank borrowings and finance lease liabilities. The following table sets forth a breakdown of borrowings as at the dates indicated:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current			
Finance lease liabilities	17,097	13,743	5,449
Current			
Bank overdrafts	–	–	3,676
Bank borrowings	2,851	1,747	37,411
Finance lease liabilities	<u>10,033</u>	<u>22,236</u>	<u>9,204</u>
	<u>12,884</u>	<u>23,983</u>	<u>50,291</u>
 Total borrowings	 <u>29,981</u>	 <u>37,726</u>	 <u>55,740</u>

Bank overdrafts and bank borrowings

Bank borrowings of our Group contain a repayment on demand clause. Accordingly, the bank borrowings are classified as current liabilities according to the HK Interpretation 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the Hong Kong Institute of Certified Public Accountants. According to the repayment schedule, the bank borrowings are repayable as follows:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	1,105	850	26,589
Between 1 and 2 years	850	248	10,427
Between 2 and 5 years	762	649	395
Over 5 years	<u>134</u>	<u>–</u>	<u>–</u>
	<u>2,851</u>	<u>1,747</u>	<u>41,087</u>

Our Group had a total of bank overdrafts and bank borrowings of approximately HK\$2.9 million, HK\$1.7 million and HK\$41.1 million as at 31 March 2014, 2015 and 2016, which were used for financing of our Group's working capital, income tax payment, expense in relation to Listing and purchase of life insurance. The substantial increase in our bank

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borrowing from 31 March 2015 to 31 March 2016 was mainly attributable to the new bank borrowing of HK\$38.0 million to finance our income tax payment and expense in relation to Listing.

Our Group's bank overdrafts and bank borrowings are denominated in HKD and USD and bear interests on a floating basis at effective interest rates per annum as follows:

	As at 31 March		
	2014	2015	2016
Bank overdrafts	5.5% to 7.3%	5.5% to 6.0%	5.5% to 6.0%
Bank borrowings	4.7% to 6.2%	4.7% to 6.2%	4.6% to 6.6%

Our bank overdrafts and bank borrowings were secured/guaranteed by:

- (i) personal guarantees given by Mr. Cheung and Mr. Chan as at 31 March 2014, 2015, 2016 and 31 July 2016;
- (ii) a property held by Mr. Cheung and his spouse as at 31 March 2014;
- (iii) pledge deposits and prepayments of life insurance policy with Mr. Cheung as insured party as at 31 March 2014, 2015, 2016 and 31 July 2016;
- (iv) pledge deposits and prepayments of life insurance policy with Mr. Chan as insured party as at 31 March 2015, 2016 and 31 July 2016;
- (v) corporate guarantee provided by certain subsidiaries of the Company as at 31 March 2014, 2015, 2016 and 31 July 2016;
- (vi) guarantee by The Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme as at 31 March 2014, 2015, 2016 and 31 July 2016;
- (vii) guarantees by the Government of Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme as at 31 March 2014 and 2015; and
- (viii) subordination agreements executed by Mr. Cheung and/or Mr. Chan or subsidiaries of the Company to subordinate their loan as at 31 March 2014, 2015, 2016 and 31 July 2016.

Our Directors confirm that the above personal guarantee provided by Mr. Cheung and Mr. Chan will be released and replaced by a corporate guarantee provided by the Company upon Listing.

Please refer to the section headed "Financial information – Deposits and prepayments for life insurance policies" in this prospectus for the details of our life insurance policies purchased.

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Our Directors confirm that our banking facilities were not subject to material covenants and our Group has not experienced any difficulty in obtaining bank borrowing, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty for our Group in obtaining bank borrowing after the Latest Practicable Date.

At the close of business on 31 July 2016, our Group had unutilised banking facilities of approximately HK\$4.7 million.

Finance lease liabilities

During the Track Record Period, we acquired most of our machinery and motor vehicles by way of finance leases arrangement through banks and machinery and motor vehicle providers. The future lease payments under the finance leases are due as follows:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross finance lease liabilities – minimum lease payments			
Within 1 year	11,429	23,300	9,664
Between 1 and 2 years	11,338	9,451	4,062
Between 2 and 5 years	<u>6,758</u>	<u>4,890</u>	<u>1,609</u>
	<u>29,525</u>	<u>37,641</u>	<u>15,335</u>
Future finance charges on finance leases	<u>(2,395)</u>	<u>(1,662)</u>	<u>(682)</u>
Present value of finance lease liabilities	<u><u>27,130</u></u>	<u><u>35,979</u></u>	<u><u>14,653</u></u>

The underlying interest rates of these obligations under finance leases ranged from 4.3% to 8.4%, 3.8% to 8.4%, 3.8% to 8.4% per annum as at 31 March 2014, 2015 and 2016 respectively.

The finance leases are secured by the Group's machinery and equipment and motor vehicles and personal guarantee given by Mr. Cheung. The finance leases are secured by the Group's machinery and equipment and motor vehicles with an aggregate net book value of approximately HK\$28.9 million, HK\$42.4 million and HK\$29.7 million as at 31 March 2014, 2015 and 2016 respectively. As at 31 March 2014, 2015 and 2016, finance leases with carrying amounts of approximately HK\$25.0 million, HK\$33.9 million and HK\$12.4 million are guaranteed by personal guarantee given by Mr. Cheung. Pursuant to the agreed in principle letter entered into between our Group and our machinery providers in April 2016, the personal guarantee given by Mr. Cheung for the outstanding amount of finance lease provided by such machinery providers will be released upon Listing. We will repay the outstanding amount of finance lease which the personal guarantee given by Mr. Cheung cannot be release upon Listing by using the net proceeds of the Share Offer.

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LIQUIDITY AND CAPITAL RESOURCES

Our operation has been funded through a combination of cash generated from our operation, bank overdrafts, bank borrowings, finance lease and advance from shareholders during the Track Record Period. Upon completion of the Share Offer, our liquidity will be satisfied by a combination of proceeds from the Share Offer, cash generated from our operations, bank overdrafts, bank borrowings and finance lease.

Cash flows

The following table set forth selected cash flows data from the Group's combined statements of cash flows for the years indicated:

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	23,188	55,440	50,611
Net cash used in investing activities	(1,364)	(2,851)	(10,141)
Net cash (used in)/generated from financing activities	(12,681)	(38,126)	1,931
Net increase in cash and cash equivalents	9,143	14,463	42,401
Cash and cash equivalents at beginning of the year	(1,939)	7,204	21,667
Cash and cash equivalents at end of the year	7,204	21,667	64,068

Net cash from operating activities

Net cash from operating activities primarily consisted of profit before taxation adjusted for non-cash items, such as depreciation of property, plant and equipment, loss on disposal of property plant and equipment, interest income and expense and the effect of changes in working capital.

Cash flow generated from operating activities is the major source of funds of our Group during the Track Record Period. We primarily derive our cash inflows from the receipt of payments from concrete placing work. Our cash used in operations principally comprises payment of staff costs, purchases of materials and subcontracting fees.

For the year ended 31 March 2014, our net cash from operating activities was approximately HK\$23.2 million, primarily as a result of the combined effects of (i) approximately HK\$32.1 million operating profit before movements in working capital, (ii) the decrease in trade and other receivables of approximately HK\$0.7 million, and (iii) the increase in gross amounts due to customers of contract work of approximately HK\$3.0 million; of which was partially offset by (i) the increase in gross amounts due from customers of contract work of approximately HK\$10.8 million, (ii) the decrease in trade and other payables of approximately HK\$1.7 million.

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For the year ended 31 March 2015, our net cash from operating activities was approximately HK\$55.4 million, primarily as a result of the combined effects of (i) approximately HK\$39.2 million operating profit before movements in working capital, (ii) the decrease in gross amounts due from customers of contract work of approximately HK\$6.4 million, (iii) the increase in trade and other payables of approximately HK\$10.1 million and (iv) the increase in gross amounts due to customers of contract work of approximately HK\$12.0 million; of which was partially offset by (i) the increase in trade and other receivables of approximately HK\$12.0 million and (ii) income tax paid of approximately HK\$0.2 million.

For the year ended 31 March 2016, our net cash from operating activities was approximately HK\$50.6 million, primarily as a result of the combined effects of (i) approximately HK\$54.0 million operating profit before movements in working capital, (ii) the increase in trade and other payables of approximately HK\$17.2 million and (iii) the increase in gross amounts due to customers of contract work of approximately HK\$19.6 million; of which was partially offset by (i) the increase in trade and other receivables of approximately HK\$12.2 million, (ii) the increase in gross amounts due from customers of contract work of approximately HK\$11.9 million and (iii) income tax paid of approximately HK\$16.1 million.

Net cash used in investing activities

For the three years ended 31 March 2016, we had net cash used in investing activities of approximately HK\$1.4 million, HK\$2.9 million and HK\$10.1 million which was mainly attributable to the purchase of machinery and motor vehicles of approximately HK\$1.4 million, HK\$2.9 million and HK\$4.0 million for our operations during the same period respectively and our advance to shareholders of approximately HK\$6.1 million for the year ended 31 March 2016.

Net cash (used in)/generated from financing activities

For the year ended 31 March 2014, our net cash used in financing activities was approximately HK\$12.7 million, mainly attributable to (i) repayment of finance leases and bank borrowing of approximately HK\$8.3 million and HK\$1.0 million respectively, (ii) interest paid on finance leases and bank borrowing of approximately HK\$1.7 million and HK\$0.2 million respectively and (iii) repayment to a related company and shareholders of approximately HK\$0.3 million and HK\$1.2 million respectively.

For the year ended 31 March 2015, our net cash used in financing activities was approximately HK\$38.1 million, mainly attributable to (i) repayment of finance leases and bank borrowing of approximately HK\$14.4 million and HK\$1.1 million respectively, (ii) interest paid on finance leases and bank borrowing of approximately HK\$1.6 million and HK\$0.1 million respectively and (iii) repayment to a related company and shareholders of approximately HK\$3.5 million and HK\$17.5 million respectively.

For the year ended 31 March 2016, our net cash generated from in financing activities was approximately HK\$1.9 million, mainly attributable to the fund raised from our new bank borrowing of approximately HK\$38.0 million to finance our tax payment and Listing

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expenses, of which was partially offset by (i) repayment of finance leases and bank borrowing of approximately HK\$22.3 million and HK\$2.4 million respectively, (ii) interest paid on finance leases and bank borrowing of approximately HK\$1.1 million and HK\$0.1 million respectively and (iii) repayment to shareholders of approximately HK\$10.3 million.

Net current assets

The following table sets forth the breakdown of the Group's current assets and liabilities as at the dates indicated:

	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				
Trade and other receivables	29,183	41,175	53,377	63,824
Gross amounts due from customers for contract work	46,987	40,605	52,500	87,385
Amounts due from shareholders	–	–	6,148	10,126
Current income tax recoverable	–	35	4,252	3,324
Cash and bank balances	<u>7,204</u>	<u>21,667</u>	<u>67,744</u>	<u>25,309</u>
	<u>83,374</u>	<u>103,482</u>	<u>184,021</u>	<u>189,969</u>
Current liabilities				
Trade and other payables	13,334	23,468	40,717	34,262
Gross amounts due to customers for contract work	4,797	16,775	36,386	48,037
Amounts due to shareholders	27,791	10,298	–	–
Amount due to a related company	3,452	–	–	–
Borrowings	12,884	23,983	50,291	38,431
Current income tax liabilities	<u>2,291</u>	<u>5,063</u>	<u>–</u>	<u>74</u>
	<u>64,549</u>	<u>79,587</u>	<u>127,394</u>	<u>120,804</u>
Net current assets	<u>18,825</u>	<u>23,895</u>	<u>56,627</u>	<u>69,165</u>

Our net current assets increased from approximately HK\$18.8 million as at 31 March 2014 to HK\$23.9 million as at 31 March 2015. The increase in the net current assets was mainly due to (i) an increase of approximately HK\$12.0 million in trade and other receivables, (ii) an increase of approximately HK\$14.5 million in cash and bank balances, (iii) a decrease of approximately HK\$17.5 million and HK\$3.5 million in amounts due to shareholders and a related company respectively; of which was partially offset by (i) a decrease of approximately HK\$6.4 million in net amounts due from customers for contract work, (ii) an increase of approximately HK\$10.1 million in trade and other payables, (iii) an

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increase of approximately HK\$12.0 million in net amounts due to customers for contract work, (iv) an increase of approximately HK\$11.1 million in our borrowings and (v) an increase of approximately HK\$2.8 million in our current income tax liabilities.

Our net current assets increased from approximately HK\$23.9 million as at 31 March 2015 to HK\$56.6 million as at 31 March 2016. The increase in the net current assets was mainly due to (i) an increase of approximately HK\$12.2 million in trade and other receivables, (ii) an increase of approximately HK\$11.9 million in net amounts due from customers for contract work, (iii) an increase of approximately HK\$6.1 million in amounts due from shareholders, (iv) an increase of approximately HK\$4.2 million in current income tax recoverable, (v) an increase of approximately HK\$46.1 million in cash and bank balances, (vi) a decrease of approximately HK\$10.3 million in amounts due to shareholders and (vii) a decrease of approximately HK\$5.1 million in our current income tax liabilities; of which was partially offset by (i) an increase of approximately HK\$17.2 million in trade and other payables, (ii) an increase of approximately HK\$19.6 million in net amounts due to customers for contract work, (iii) an increase of approximately HK\$26.3 million in our borrowings.

Our net current assets increased from approximately HK\$56.6 million as at 31 March 2016 to HK\$69.1 million as at 31 July 2016, being the latest practicable date for ascertaining the Group's net current assets position. The increase in the net current assets was mainly due to (i) an increase of approximately HK\$10.4 million in trade and other receivables, (ii) an increase of approximately HK\$34.9 million in net amounts due from customers for contract work, (iii) a decrease of approximately HK\$6.5 million in trade and other payables and (v) a decrease of approximately HK\$11.9 million in our borrowings; of which was partially offset by (i) a decrease of approximately HK\$42.4 million in cash and bank balances, (ii) a decrease of approximately HK\$0.9 million in current income tax recoverable, and (iii) an increase of approximately HK\$11.7 million in net amounts due to customers for contract work.

For details of the items of our current assets and liabilities, please refer to the paragraphs headed "Description of certain items of combined statements of financial position" in this section.

WORKING CAPITAL

Our Directors believe that after taking into account the financial resources available to us, including internally generated funds and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

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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				
Amounts due to shareholders	27,791	10,298	–	–
Amount due to a related company	3,452	–	–	–
Borrowings	<u>12,884</u>	<u>23,983</u>	<u>50,291</u>	<u>38,431</u>
	<u>44,127</u>	<u>34,281</u>	<u>50,291</u>	<u>38,431</u>
Non-current				
Borrowings	<u>17,097</u>	<u>13,743</u>	<u>5,449</u>	<u>4,015</u>
Total	<u><u>61,224</u></u>	<u><u>48,024</u></u>	<u><u>55,740</u></u>	<u><u>42,446</u></u>

Our total indebtedness decreased from approximately HK\$61.2 million as at 31 March 2014 to HK\$48.0 million as at 31 March 2015 principally due to our repayment of amounts due to shareholders, a related company and our bank borrowings, of which was offset by the increase in our total finance lease liabilities due to our purchase of additional machinery and equipment.

Our total indebtedness increased from approximately HK\$48.0 million as at 31 March 2015 to HK\$55.7 million as at 31 March 2016 principally due to the increase in our bank overdrafts and bank borrowings attributable to the fund raised from our new bank borrowing of approximately HK\$38.0 million to finance our tax payment and Listing expenses; of which was offset by our repayment of amounts due to shareholders and our finance lease liabilities.

Our total indebtedness decreased from approximately HK\$55.7 million as at 31 March 2016 to HK\$42.4 million as at 31 July 2016, principally due to our repayment of our borrowings.

For details of the items of our indebtedness items, please refer to the paragraphs headed "Description of certain items of combined statements of financial position" in this section.

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CONTINGENT LIABILITIES

We had no significant contingent liabilities as at 31 March 2014, 2015 and 2016 and 31 July 2016.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily comprised additions to property, plant and equipment in line with our business expansion. The following table sets forth details of our capital expenditures 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>
Leasehold improvements	–	220	–
Machinery and equipment	8,030	25,207	3,810
Furniture, fixtures and office equipment	–	12	–
Motor vehicles	<u>2,677</u>	<u>648</u>	<u>1,154</u>
	<u>10,707</u>	<u>26,087</u>	<u>4,964</u>

The Group primarily funded its capital expenditures during the Track Record Period through internal resources and hire-purchase arrangements. Our Group plans to finance future capital expenditures primarily through the net proceeds of the Share Offer, hire-purchase arrangement and cash generated from operations. For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

COMMITMENTS

Capital commitments

The following table sets forth our capital commitment contracted for as of 31 March 2014, 2015, and 2016, but not yet incurred by us:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	<u>6,930</u>	<u>5,339</u>	<u>4,104</u>

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Operating lease commitments

During the Track Record Period, our Group leases office premise and storage facility of machinery and equipment under operating lease. The leases run for an initial period of 1 to 3 years and are non-cancellable. The total future minimum lease payments under these leases are due as follow:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	1,057	1,038	536
In the second to fifth years inclusive	<u>413</u>	<u>442</u>	<u>–</u>
	<u>1,470</u>	<u>1,480</u>	<u>536</u>

As at the Latest Practicable Date, we had capital commitment of approximately HK\$4.9 million under the purchase order of 6 truck-mounted concrete pumps and 1 boom pump, save as disclosed above, the Group did not have any outstanding contractual and capital commitments as at the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, the Group did not have any off-balance sheet arrangements or commitments.

TRANSACTIONS WITH RELATED PARTIES

Please refer to the paragraph headed “Related Party Transactions” in note 27 of the notes to the Accountants’ Report in Appendix I to this prospectus.

DIVIDEND

No member of our Group had declared any dividend during the Track Record Period and up to the Latest Practicable Date.

There is no expected dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group’s future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders’ approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

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Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group during the Track Record Period:

	For the year ended/ as at 31 March		
	2014	2015	2016
Return on total assets (<i>Note 1</i>)	14.3%	14.3%	13.6%
Return on equity (<i>Note 2</i>)	50.7%	39.6%	35.6%
Current ratio (<i>Note 3</i>)	1.3	1.3	1.4
Quick ratio (<i>Note 4</i>)	1.3	1.3	1.4
Gearing ratio (<i>Note 5</i>)	185.7%	87.9%	65.7%
Debt to equity ratio (<i>Note 6</i>)	163.8%	48.3%	Net Cash
Interest coverage (<i>Note 7</i>)	11.0	16.3	33.6

Notes:

1. Return on total assets is calculated by dividing net profit for the year by the total assets at the end of the respective year and expressed as a percentage.
2. Return on equity is calculated by dividing net profit attributable to the owners of our Company for the year by the total equity attributable to the owners of our Company at the end of the respective year and expressed as a percentage.
3. Current ratio is calculated by dividing the total current assets by the total current liabilities as at the year-end date.
4. Quick ratio is calculated by dividing total current assets net of inventories by current liabilities as at the year-end date.
5. Gearing ratio is calculated by dividing all debts by total equity at the year-end date and expressed as a percentage.
6. Debt to equity ratio is calculated by dividing all debts net of cash and cash equivalents at the end of the year by total equity at the end of the respective year and expressed as a percentage.
7. Interest coverage is calculated by the profit before interest and tax divided by the interest for the year.

Return on total assets

Our return on total assets ratio was relatively stable at approximately 14.3% for the year ended 31 March 2014 and 2015 given the extent of increase in our net profit of approximately 29.6% was similar to the extent of increase in our total assets of 29.8% in the corresponding period.

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Though the significant increase in our net profit of approximately 39.5% for the year ended 31 March 2016 as compared to prior year, our return on total assets ratio decreased from approximately 14.3% for the year ended 31 March 2015 to approximately 13.6% for the year ended 31 March 2016 due to the significant increase in our total assets of approximately 46.5% during the same period resulted from the increase in our cash and bank balance resulted from the new bank borrowings obtained.

Return on equity

Though the increase in our net profit of approximately 29.6% for the year ended 31 March 2015 as compared to prior year, our return on equity ratio decreased from approximately 50.7% for the year ended 31 March 2014 to approximately 39.6% for the year ended 31 March 2015 due to the larger extent of increase in our total equity base of 65.7% during the same period. The significant growth in our equity base in the said period was principally led by the increase in our total assets resulted from our purchase of new machinery and motor vehicle and increase in cash and bank balances due to increase in our revenue.

Our return on equity ratio further decrease from approximately 39.6% for the year ended 31 March 2015 to 35.6% for the year ended 31 March 2016 given the increase in our net profit for the year ended 31 March 2016 of approximately 39.5% was lower than the increase in our equity base of approximately 55.3%. The significant growth in our equity base in the said period was principally led by the larger extent of increase in our total asset resulted from the increase in cash and bank balances, trade and other receivables and gross amounts due from customers for contract work than the extent of increase our total liabilities.

Current ratio and quick ratio

Our current ratio maintained at a relatively stable level at 1.3 times, 1.3 times, 1.4 times as at 31 March 2014, 2015 and 2016 respectively. Our quick ratio was same as current ratio given we had no inventory during the Track Record Period.

Gearing ratio

Our gearing ratio significantly improved from approximately 185.7% as at 31 March 2014 to approximately 87.9% as at 31 March 2015 which was mainly due to our lower total indebtedness level as our repayment of amounts due to shareholders, a related company and our bank borrowings that reduce the total balance of such from approximately HK\$34.1 million as at 31 March 2014 to approximately HK\$12.0 million as at 31 March 2015 was higher than the increase in our finance lease liabilities from approximately HK\$27.1 million to approximately HK\$36.0 million resulted from our hire purchase of new machinery and equipment in the same period.

Though our total indebtedness level increased from approximately HK\$48.0 million as at 31 March 2015 to approximately HK\$55.7 million as at 31 March 2016 due to the combined effect of our new bank borrowings and repayment of finance lease liabilities, our

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gearing ratio further improved from approximately 87.9% to approximately 65.7% in the same period due to the significant increase in our equity base attributable to the increase in our net profit in the same period.

Debt to equity ratio

Similar to the reason leading to the improvement of our gearing ratio discussed above, our debt to equity ratio improved from approximately 163.8% as at 31 March 2014 to approximately 48.3% as at 31 March 2015. We recorded net cash position as at 31 March 2016.

Interest coverage

Our interest coverage ratio improved from approximately 11.0 times for the year ended 31 March 2014 to approximately 16.3 times for the year ended 31 March 2015 and further to approximately 33.6 times for the year ended 31 March 2016 mainly due to the combination of increase in our profit before interest and tax and lowering indebtedness level in the same period.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest rate risk

Our Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, deposits and prepayments for life insurance policies and borrowings.

Certain of our banking facilities charge interest at floating interest rate. Having balanced the cost and benefit, our Directors consider it not necessary have a policy on cash flow hedges of interest rate risk. Nevertheless, the management of our Group keeps monitor any change of interest exposure and will consider implementing measures from time to time to mitigate the adverse change of interest rate should the need arise.

Credit risk

Our Group exposes to credit risk primarily due to the collectability risk of the trade receivables and retention receivables due from our customers. Our Directors consider that our customers are reputable corporations and hence the credit risk attached to these customers relatively low. Our Group performs on-going credit evaluation on the financial condition on our debtors and tightly monitors the ageing of the trade receivables and retention receivables. Our Group would take necessary follow up action in case of overdue balances or when the above credit evaluation results draw the attention of our Directors. In addition, our management reviews the recoverable amount of the trade receivables and retention receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by our Group during the Track Record Period and are considered to be effective in limiting our exposure to credit risk. As an industry practice, our Group does not require our financial assets to be secured by collateral.

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Liquidity risk

Our Group has policy in place to regularly monitor our Group's liquidity requirements, both existing and expected, in order to maintain sufficient reserves of cash from short term to long term. Our Directors are of the view that our liquidity risk management policy enables our Group to have sufficient resources to meet our debt obligations and working capital needs.

Capital risk

Our Group's objectives for managing capital are to ensure our ability to continue as a going concern in order to provide returns for our Shareholders and to maintain an optimal capital structure to minimise our cost of capital.

To maintain or adjust capital structure, we may adjust dividend payout ratio, make return of capital to Shareholders in the form of dividend or share buyback, issue new Shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

Neither our Company nor any of our subsidiaries are subject to any externally imposed capital requirements.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Stock Exchange.

LISTING EXPENSES

Assuming an Offer Price of HK\$0.68 (being the mid-point of the indicated Offer Price range), the total amount of listing expenses in connection with the Share Offer is estimated to be approximately HK\$28.0 million, which will be borne by the Selling Shareholder and our Group as to approximately HK\$7.8 million and HK\$20.2 million, respectively. Of the aggregate listing expenses of approximately HK\$20.2 million borne by our Group, approximately HK\$1.1 million and HK\$7.7 million has been charged to profit or loss for the two years ended 31 March 2016 respectively. Our Group estimates that listing expenses of approximately HK\$2.6 million will be charged to our profit or loss for the year ending 31 March 2017. The balance of approximately HK\$8.8 million which is directly attributable to the issue of the Offer Shares is expected to be accounted for as a deduction from equity upon Listing. Expenses in relation to the Listing are non-recurring in nature.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 31 May 2016 and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

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UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

See Appendix II – “Unaudited Pro Forma Financial Information” for details.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 March 2016, please refer to Part IV to the Accountants’ Report set forth in Appendix I to this prospectus.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our Group’s financial and trading position since 31 March 2016 and there is no event since 31 March 2016 which would materially affects the information shown in the Accountants’ Report set out in Appendix I to 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 to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, assuming an Offer Price of HK\$0.68 per Share (being the mid-point of the Offer Price range of HK\$0.66 to HK\$0.70), will be approximately HK\$56.9 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$23.0 million or approximately 40.4% of the net proceeds for the acquisition of additional placing booms, booms pumps and related parts for our projects. We consider that it is essential to enhance our service capacity by purchasing additional placing booms and boom pumps having considered our demand for placing booms and boom pumps for our contracts on hand, newly awarded contracts and contracts that we plan to submit for the year ending 31 March 2017. We plan to purchase 8 placing booms, 4 boom pumps and other machinery parts. Each placing boom and boom pump costs approximately HK\$0.6 million and HK\$1.5 million, respectively. We expected the net proceeds allocated to purchase additional machinery and other parts will be utilised by year ending 31 March 2019. For any shortfall (if any) of the concrete placing machinery in the future, our Group may obtain additional concrete placing machinery through leasing from other machinery providers or purchasing additional concrete placing machinery with our Group’s internal resources and/or external borrowing;
- approximately HK\$6.4 million or approximately 11.2% of the net proceeds for expansion of our workforce both at office level and worksite level (including additional machinery operators to service our fleet of concrete placing machinery). We plan to recruit (i) 8 operation staff, comprising 1 quantity surveyor, 1 site agent, 1 safety and environmental manager, 1 safety officer and 4 machinery operators to ensure that we have sufficient manpower for our contracts on hand and newly awarded contracts, and (ii) 4 administrative staff comprising 2 general clerks and 2 accounting officers to deal with the financial reporting requirements and corporate governance matters which are expected to increase following the Listing. We expected the net proceeds allocated to expand our workforce will be utilised by year ending 31 March 2019;
- approximately HK\$11.0 million or approximately 19.3% of the net proceeds will be used to repay part of our outstanding finance leases. Our total outstanding finance leases liabilities as at 31 March 2016 will be matured from September 2016 to November 2020 and carried an effective interest rate from 3.8% to 8.4% per annum. The expected total outstanding finance leases liabilities as at 30 September 2016 will be approximately HK\$11.6 million. We will first use the net proceeds to repay the amount of outstanding finance leases liabilities that we are not able to release the personal guarantee given by our Director of approximately

FUTURE PLANS AND USE OF PROCEEDS

HK\$1.8 million to demonstrate our financial independence upon Listing. The balance of approximately HK\$9.2 million will be used to repay part of our total outstanding finance leases liabilities that incurred from hire purchase of our existing machinery and motor vehicles and additional 8 placing booms and 4 boom pumps after Listing. We expected the net proceeds allocated to repay part of our total outstanding finance leases liabilities will be utilised by year ending 31 March 2018;

- approximately HK\$11.0 million or approximately 19.3% of the net proceeds will be used to repay part of our outstanding bank borrowings. We intend to partially repay the banking facility maturing in 2018 bearing variable interest rates at HK\$ best lending rate of the financial institution minus 1.5% per annum. The effective interest rate for such bank borrowing was 6.6% for the year ended 31 March 2016. The proceeds of such borrowings were used to finance our expense for Listing. We expected the net proceeds allocated to repay part of our bank borrowings will be utilised by year ending 31 March 2018; and
- approximately HK\$5.5 million or approximately 9.7% of the net proceeds will be used as general working capital of our Group.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range stated in this prospectus.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.70 per Offer Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$2.2 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.66 per Offer Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$2.2 million.

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 until similar projects of approximately similar contract value are secured by us.

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.

Our Company will not receive any of the proceeds from the sale of the Sale Shares.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our reasons for the Listing are as follows:

- **It is imperative for our Group to purchase additional machinery**

(i) *The current level of machinery possessed by our Group is not sufficient to cater for our existing projects on hand.*

- as at the Latest Practicable Date, our Group has 42 projects on hand covering different locations in Hong Kong;
- as at the Latest Practicable Date, our Group has only 16 boom pumps, 7 stationary pumps, 13 truck-mounted concrete pumps and 24 placing booms, suggesting that the existing number of each type of machinery on hand cannot satisfy our current projects on hand (e.g. for placing boom, one placing boom can only be used for concrete placing for constructing one building at a time), not to mention the fact that it is also common for several types of machinery to be used in one single project thereby putting our Group's machinery in a tighter schedule. The Directors are of the view that, placing booms, which operate at the top level of each stage of the buildings to place the concrete and therefore will be in use until the concrete placing of a building is almost finished, shall occupy most of the project period in a single project (i.e. close to 100% of the project period in a single project). For stationary pumps and truck-mounted concrete pumps, given that they are usually worked with placing booms together (by loading the concrete from the ground level to multi-storey levels through pipes and connected with placing booms and operates at the top level of each stage of the buildings), the Directors are of the view that both of the machinery will also be deployed in most of the project period in a single project (i.e. close to 100% of the project period in a single project). For boom pumps, given that they are usually deployed in pile cap constructions works (or concrete works involving a height of less than 30 meters) at the beginning stage of a building project, the Directors are of the view that they will be normally used for approximately 30% of the project period for residential or commercial projects and close to 100% of the project period for infrastructure projects because infrastructure projects usually do not involve concrete placing works at multi-storey level as residential or commercial projects do.
- in view of the current pressing need for additional machinery, after the Track Record Period and up to the Latest Practicable Date, our Group has contracted to purchase additional 8 placing booms 6 truck-mounted concrete pumps and 1 boom pump at a total acquisition cost of approximately HK\$11.1 million. As compared with the existing placing booms with a span radius of 19 metres, the newly ordered placing

FUTURE PLANS AND USE OF PROCEEDS

booms are equipped with the extended 29 metres in span radius. All the 8 new placing booms have been delivered as at the Latest Practicable Date while the 6 truck-mounted concrete pumps and 1 boom pump is expected to be delivered by end of October 2016;

- all of our Group’s machinery are currently deployed in different construction sites; and
- as a matter of fact, the insufficiency of machinery of our Group can further be evidenced by the machinery rental expenses our Group incurred in the past. During the Track Record Period, our Group incurred approximately HK\$1.5 million, HK\$0.5 million and HK\$0.6 million to rent the machinery including boom pumps, truck-mounted concrete pumps and stationary pumps from third parties.

The above observations support our Directors’ view that the current level of machinery possessed by our Group is insufficient for the current project needs. Our Directors also believe that our Group might even run out of machinery if the majority of the projects on hand require our Group’s concrete placing services to take place on a single day or on overlapping works schedule.

According to the internal record of the Group, the range of overlapping work schedules of different projects in a single month during the Track Record Period ranges from 23 to 29 projects for the year ended 31 March 2014, 31 to 40 projects for the year ended 31 March 2015 and 36 to 48 projects for the year ended 31 March 2016. Given (i) such overlapping work schedules of different projects, and (ii) placing booms, stationary pumps and truck-mounted concrete pumps are typically deployed in a way close to 100% of the project period in a single project, and (iii) the Group only have 7 stationary pumps, 13 truck-mounted concrete pumps, 16 boom pumps and 24 placing booms on hand as at the Latest Practicable Date, the Group is in much need of acquiring more machinery to satisfy its project needs.

Furthermore, a concrete placing project typically requires the use of machinery and equipment in different stages subject to the concrete placing working schedule, which in turn is determined by the main contractors and hence is out of our Group’s control. As disclosed in the section headed “Business – Our concrete placing and ancillary services – Concrete placing services” of this prospectus, the main contractors typically give our Group approximately 15 hours’ prior notice before commencing our concrete placing operation on sites. Hence, it is imperative for our Group to have a fleet of machinery that is readily available when called upon by customers within such a short notice to perform concrete placing works.

Although our Group will use our best endeavours to organise our work schedules with the customers to avoid the possibility of having overlapping works schedules, our Company could not take the risk for not being able to deliver our services as instructed by our customers from time to time considering (i) concrete

FUTURE PLANS AND USE OF PROCEEDS

placing is considered to be early-stage work in a construction project and (ii) any delay in concrete placing work could affect the timetable for the entire construction project which our Group may be claimed for damages as a result of such a delay. Hence, the purchase of additional machinery is not solely based on the utilisation rate of the machinery but it is more important and necessary for our Group to purchase additional machinery to ensure our Group's machinery is readily available to meet our customers' requirement and to perform our contractual obligations at all times.

(ii) The need of additional machinery to compete for more projects in the near future.

In light of the industry growth in upcoming years as evidenced by the forecasted revenue increase of CAGR of 10.5% from 2015 to 2020 identified by Euromonitor, our Company intended to compete for more projects in the near future in order to further expand our market share in the industry. Nevertheless, our Directors considered that the major bottleneck of our expansion lies in the quantity of the machinery available for use by our Group given that concrete placing services rely heavily on the use of machine.

As a matter of fact, due to current limit on the number of our machinery and equipment on hand as disclosed above, our Group is restrained from undertaking more projects. During the Track Record Period, the total number of our principal concrete placing machinery including boom pumps, stationary pumps, truck-mounted concrete pumps and placing booms increased from 38 to 50 and further to 52 respectively. Correspondingly, the number of contracts awarded was relatively steady at 32, 40 and 39 respectively and the total corresponding aggregate amount of original contract sum in respect of such contracts awarded was also relatively steady at approximately HK\$310.8 million, HK\$340.0 million and HK\$320.2 million respectively, suggesting the scale of our Group's operation was restricted by the size of our machinery fleet.

As a result, our Group became hesitant in offering competitive terms when submitting further tender application for the invitation from our potential customers after reaching such bottleneck. Due to such bottleneck and hesitation, our Group's tender success rate for the year ended 31 March 2016 was lower than the tender success rates for the two years ended 31 March 2015 given our Group kept receiving invitation letters for tenders or letters to express interest for tender from our potential customers and in order to maintain our presence in the market and to remain on our customers' contractors list, our Group submitted tender to our customers but our Group took a relatively selective and cautious approach in costs estimation by factoring a higher profit margin which may render our tender price less competitive than the tenders submitted by our competitors and resulted in our failure to win the tender.

FUTURE PLANS AND USE OF PROCEEDS

Based on the foregoing, our Directors believed that if sufficient machine is available by our Group, our Group will be able to (i) take a more aggressive approach in response to the tender invitation, (ii) increase our tender success rate, (iii) expand our operation and revenue stream and (iv) expand our market share in the concrete services industry in terms of revenue generated.

(iii) The need to replace aged machinery in view of the potential customers' new tendering conditions.

As recently noted in the tender invitation from two potential customers (both are within our Group's five largest customers during the Track Record Period), there is a new tendering condition that the age of the concrete placing machinery used by a subcontractor must not exceed 8 years. As this requirement is imposed by reputable construction contractors who are major industry players, our Directors believe other construction contractors will follow this requirement which is expected to become an industry trend soon. As at the Latest Practicable Date:

- out of the 24 placing booms owned by our Group, 7 of them aged more than 6 years; and
- out of the 16 boom pumps owned by our Group, 3 of them aged more than 6 years.

Given that the availability of machinery and equipment is one of the key assessment criteria by the customers, in view of the new tendering requirements of potential customers, our Directors considered that it is imperative to replace the aged machinery by acquiring the new additional 8 placing booms and 4 boom pumps in order to enhance our competitiveness and increase our Group's tender success rate for the projects to be tendered in the near future.

(iv) The need to purchase machinery parts

In light of the current age of our existing machinery as disclosed above, our Group is in need of relevant machinery parts such as concrete pipelines and wearing parts, which are easily worn down during the operation of the machinery for replacement, to keep, maintain and repair its machine parts in good shape and extend the useful life of the machinery. For the three years ended 31 March 2016, our Group purchased machinery parts in an amount of approximately HK\$4.7 million, HK\$6.3 million and HK\$7.1 million respectively. We expect the purchase of machinery parts will be increased further to approximately HK\$8.2 million and HK\$9.6 million for the year ended 31 March 2017 and 2018 respectively after successful Listing by taking into account of the additional machinery to be purchased.

On the basis of the above justifications, our Directors believe that it is imperative to purchase additional machinery and the parts.

FUTURE PLANS AND USE OF PROCEEDS

- **There will be sufficient demand for our Group's services to fully utilise the additional capacity of the new machinery and equipment**

Our Directors consider that the Hong Kong construction industry is not facing a downturn as demonstrated by the following:

- (i) According to the Euromonitor Report, the total revenue of concrete service industry increased from approximately HK\$899.6 million in 2011 to approximately HK\$1,512.6 million in 2015, representing a CAGR of approximately 13.9%. The industry revenue is expected to further grow at a CAGR of 10.5% from 2015 to 2020 due to (i) strong momentum for public infrastructure, (ii) robust demand for the public and private property market; and (iii) growing demand for office buildings in Hong Kong as identified by Euromonitor.
- (ii) According to the Statistics on Private Housing Supply in Primary Market published by Transport and Housing Bureau, as at 30 June 2016, the number of actual completion of private residential units for 2016 is estimated to be 18,200 units (as compared with 15,700 units and 11,300 units in years 2014 and 2015). The number of residential units under construction in private housing primary market that is currently known for the coming 3 to 4 years amount to 74,000 units (including the 9,000 units sold by presale). As for the public housing, it is estimated in October 2015 that the number of public housing units to be constructed will be around 97,000 units in the coming 5 years, not to mention the commercial units which the government statistics did not address on. The above government policy to increase housing supply provides further growth drivers for the concrete services industry in Hong Kong.

The concrete services industry plays an important role in the construction industry in Hong Kong given concrete is the most widely and commonly used material for construction projects. Our Directors concur with Euromonitor's view that the outlook of concrete placing industry outlook remains promising instead of facing a downturn. Our Group's historical performance was in line with the industry trend. Our Group's revenue increased from approximately HK\$187.1 million for the year ended 31 March 2014 to approximately HK\$273.6 million for the year ended 31 March 2015 and further to HK\$378.5 million for the year ended 31 March 2016 respectively. As a leading concrete services provider in the industry, our Directors believe our Group will expand along with the upcoming industry growth trend as identified by Euromonitor. Such positive industry outlook further justified the need for our Group to purchase additional machinery and equipment to cope with our needs for the projects on hand as well as the upcoming newly awarded projects in future.

FUTURE PLANS AND USE OF PROCEEDS

- It is in the interest of our Group to shift from debt financing towards equity financing

As disclosed in this Prospectus, our Group plans to utilise proceeds in the amount of HK\$23 million to purchase 8 placing booms, 4 boom pumps and other machinery parts, the breakdown of which is set forth below:

Type of machinery	Total purchase price
Placing booms	Approximately HK\$5 million
Boom pumps	Approximately HK\$6 million
Machinery parts	Approximately HK\$12 million

- In view of the current pressing need for additional machinery, after the Track Record Period and up to the Latest Practicable Date our Group has already contracted to purchase 8 placing booms, 6 truck-mounted concrete pumps and 1 boom pump. The Company financed such acquisition by internal resources.
- For the additional 8 placing booms, 4 boom pumps and other machinery parts, the Company plans to finance such further purchase by proceeds from the Share Offer.
- The operation of our Group has been funded through a combination of cash generated from operation and bank borrowings during the Track Record Period. 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 such business expansion including the purchase of additional machinery and equipment as opposed to a debt financing for the following reasons:
 - (i) As at 31 March 2016, our Group had a gearing ratio of 65.7%. In view of the relatively high gearing ratio of our Group, our Group's financial performance and liquidity may be negatively affected if market uncertainty suddenly arose, e.g. rise in interest rate in the United States and any sudden unexpected deterioration in the prevailing market conditions in the concrete services industry leading to the imposition of further requirements on debt financing in addition to regular repayment of interest and principal to our Group regardless of the performance of the business of our Group.
 - (ii) Our Directors consider that as part of a group of private companies, the Company, without a listing status, would be difficult to obtain bank borrowings at a more commercially favourable term without personal guarantees or other collateral to be provided by the Controlling Shareholders. This is supported by the fact that the lending bank was willing to release the personal guarantees provided by the Controlling Shareholders, subject to, among other things, the Company being

FUTURE PLANS AND USE OF PROCEEDS

successfully listed on the Stock Exchange. The listing status of the Company may also facilitate our Group to obtain bank borrowings with more favourable terms in the long run.

- (iii) Our Directors have also considered the potential benefits of a long-term listing status which our Group expects to achieve through the listing exercise when considering the amount of the listing expenses to be incurred. Our Directors believe the potential benefits of listing would ultimately outweigh the Listing costs as well as the cost debt financing in long run as (i) the listing expense is one-off in nature as opposed to the repetitive interest expenses of the bank borrowings; and (ii) it provides access to capital market for future secondary fund raising opportunities via interest-saving equity issuance through its listed entity as opposed to obtaining another interest-bearing banking facilities from financial institutions had it not been listed.

- **The commercial rationale of purchasing instead of leasing machinery and equipment**

Our Directors consider that it is in the interest of the Company and our shareholders as a whole to purchase instead of leasing those machinery and equipment that we intended to acquire using the net proceeds. A comparison of the daily/monthly rental cost (which can be referenced to the current quotation obtained from third parties during the Track Record Period) and the daily/monthly acquisition cost (which is determined by dividing purchase cost of relevant machinery by 5 years (depreciable period) for 365 days/12 months per year plus relevant estimated maintenance and insurance cost) for placing booms and boom pumps is set out below:

Type of machinery	Daily/monthly rental cost (quotation date)	Daily/monthly acquisition cost (order date)
Placing booms	HK\$58,000 per month (Dec 2015)	HK\$14,500 per month (Dec 2015)
32-33m Boom pumps	HK\$4,400 per day (Jan 2014)	HK\$1,960 per day (Dec 2014)
56m Boom pumps	HK\$11,300 per day (Jun 2016)	HK\$2,865 per day (Nov 2014)

Based on the above comparison, the daily acquisition cost of the relevant machinery is substantially lower than our daily rental cost from third parties. Hence, it is more economical for our Group to purchase rather than rent the relevant machinery in order to save costs.

FUTURE PLANS AND USE OF PROCEEDS

In addition to costs saving, our Group also needs to incur additional time in seeking suitable machinery of acceptable quality, and there is no guarantee that our Group can obtain the most suitable machinery in performing its concrete placing works. By purchasing additional machinery, our Group is allowed to allocate the most suitable machinery among different projects, which enhance the flexibility in deploy our operational resources and efficiency of its works and thus improve the profitability of our Group.

Furthermore, a public listing status will also enhance our corporate profile and recognition and assist us in reinforcing our corporate image. We believe that a public listing status on the Stock Exchange could attract potential customers, suppliers and subcontractors who are more willing to establish business relationship with listed companies. It will also generate reassurance among our Group's existing customers, suppliers and subcontractors and further strengthen our competitiveness in the market. The Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in future business development of our Group. A public listing status on the Stock Exchange may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

UNDERWRITING

PUBLIC OFFER UNDERWRITER(S)

Luk Fook Securities (HK) Limited

Sorrento Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

The Public Offer Underwriting Agreement was entered into on 29 September 2016 among our Company, our executive Directors, our Controlling Shareholders, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s). Pursuant to the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer as mentioned herein and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriter(s) have agreed severally and not jointly to subscribe or procure subscribers for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions in this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If at any time prior to 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of the Joint Bookrunners or any of the Public Offer Underwriter(s):
 - (i) any breach of any of the warranties, obligations or undertakings imposed upon any party (other than the Joint Bookrunners, the Joint Lead Managers or any of the Public Offer Underwriters) which, in any such case, is considered, in the sole and absolute opinion of the Joint Bookrunners, to be material;
 - (ii) that any statement contained in any of this prospectus and the Application Forms, the formal notice and any announcements issued by the Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or

UNDERWRITING

misleading, or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and the Application Forms, the formal notice and/or any announcements issued by the Company in connection with the Public Offer (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, in each case when taken as a whole; or

- (iii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute an omission therefrom that is considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute discretion to be material in the context of the Share Offer; or
- (iv) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (v) the Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription and/or purchase of the Offer Shares) or the Share Offer; or
- (vi) a petition is presented or an order is made for the winding up or liquidation of any member of our Group or the Selling Shareholder or any member of our Group or the Selling Shareholder makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or the Selling Shareholder or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or the Selling Shareholder or anything analogous thereto occurs in respect of any material member of our Group the Selling Shareholder; or
- (vii) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus and the Application Forms (including any supplement or amendment thereto) or to the issue of any of this prospectus and the Application Forms (including any supplement or amendment thereto).

then, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)) may, upon giving notice to our Company (for itself and on behalf of the Selling Shareholder) prior to 8:00 a.m. on the Listing Date, terminate the Public Offer Underwriting Agreement with immediate effect.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that 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 our securities will be completed within six months from the commencement of dealing), except in any of the circumstances provided for under Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that, except pursuant to the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholder), and save as permitted under the Listing Rules, he or it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding 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 the Shares in respect of which he/she or it is shown by this prospectus to be the beneficial owner; and
- (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, he/she or it would cease to be the controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares beneficially owned by him/it 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 our Company of such pledge or charge together with the number of Shares so pledged or charged; and

UNDERWRITING

- (ii) when he or it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

Undertakings pursuant to the Public Offer Underwriting Agreement

(A) Undertakings by our Company

We have, pursuant to the Public Offer Underwriting Agreement, undertaken to each of the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s) that we will not, except pursuant to the exercise of the options which may be granted under the Share Option Scheme or otherwise permitted under the Listing Rules, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)) and unless in compliance with the Listing Rules:

- (a) at any time after the date of this prospectus up to and including the date falling six months from the Listing Date (the “First Six-Month Period”):
 - (i) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction;
 - (ii) issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company agree to do any of the foregoing, except pursuant to the Share Offer;

UNDERWRITING

- (b) at any time within the six-month period immediately following the First Six-Month Period (the “Second Six-Month Period”) do any of the acts set out in paragraph (a) above such that our Controlling Shareholders together, directly or indirectly, would together cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
- (c) in the event that our Company does any of the acts set out in paragraph (a) above, after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all reasonable steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally agreed and undertaken to the Sponsor, the Joint Bookrunners, the Public Offer Underwriter(s) and our Company that:

- (a) during the First Six-Month Period:
 - (i) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding on trust for himself/itself shall not, without the prior written consent of the Joint Bookrunners or otherwise in compliance with the requirements of the Listing Rules, (1) 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 or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (3) 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 (1) or (2) above; or (4) announce any intention to enter into or effect any of the transactions referred to in paragraphs (1), (2) or (3) above, except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules;
 - (ii) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written

UNDERWRITING

consent of the Stock Exchange (if required under the Listing Rules) during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital, except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules; and

- (iii) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Without prejudice to the above provisions, each of our Controlling Shareholders has jointly and severally undertaken to the Sponsor, the Joint Bookrunners and the Public Offer Underwriter(s) and our Company that within the First Six-Month Period and the Second Six-Month Period, he or it shall:

- (i) if and when he or it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company and the Joint Bookrunners in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

UNDERWRITING

Indemnity

We and our Controlling Shareholders (including the Selling Shareholder) have agreed to indemnify the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s) for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company of the Public Offer Underwriting Agreement.

Public Offer Underwriter(s)' Interests in our Company

Except for its obligations under the Public Offer Underwriting Agreement, the Public Offer Underwriter(s) has no shareholding interest in us or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following completion of the Share Offer, the Public Offer Underwriter(s) and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and our Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriter(s) on or about Thursday, 6 October 2016. Under the Placing Underwriting Agreement, the Placing Underwriter(s) would, subject to certain conditions, agree to procure subscribers to subscribe for and/or purchase the Placing Shares being offered pursuant to the Placing, or failing which to subscribe for and/or purchase, their respective applicable proportions of such Placing Shares which are not taken up under the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed "Underwriting Arrangements and Expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriter(s) not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer

UNDERWRITING

Underwriting Agreement as described in the paragraph headed “Underwriting Arrangements and Expenses – The Public Offer – Undertakings Pursuant to the Public Offer Underwriting Agreement” in this section.

Commission and Expenses and the Sponsor’s Fee

According to the terms and conditions of the Public Offer Underwriting Agreement, the Public Offer Underwriter(s) will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing, an underwriting commission at the rate applicable to the Placing will be paid to the relevant Placing Underwriter(s) (but not the Public Offer Underwriter(s)). Underwriting commission will be payable by our Company for the number of Offer Shares offered for subscription in the Share Offer.

Based on an Offer Price of HK\$0.68 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate expenses in connection with the Listing and the Share Offer (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, the legal and other professional fees, printing cost and other expenses relating to the Share Offer) are estimated to amount to approximately HK\$28.0 million in aggregate, which shall be borne by our Company and the Selling Shareholder as to approximately HK\$7.8 million and HK\$20.2 million respectively. An aggregate amount of HK\$5.5 million is payable by our Company as sponsor fees to the Sponsor for acting as the sole sponsor in the Share Offer.

Other Services provided by Underwriters

The Joint Bookrunners, the Underwriters or their affiliates have, from time to time, provided and expect to provide in the future, investment banking and other services to you, other potential investors, our Company and our respective affiliates, for which the Joint Bookrunners, the Underwriters or their respective affiliates have received or will receive customary fees and commissions. The Joint Bookrunners and the Underwriters may in their ordinary course of business provide financing to investors secured by the Offer Shares offered by this prospectus. The Joint Bookrunners and the Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of the Shares.

SPONSOR’S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

- (a) the Public Offer of 19,120,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “The Public Offer” below; and
- (b) the Placing of an aggregate of 172,080,000 Shares (subject to reallocation 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 reallocation as described in the paragraph headed “The Public Offer – Reallocation” below.

THE PUBLIC OFFER

Number of Shares Initially Offered

We are initially offering 19,120,000 Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to the reallocation 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.

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 Public 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 the 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 the 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).

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation 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 reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 57,360,000 Offer Shares (in the case of (i)), 76,480,000 Offer Shares (in the case of (ii)) and 95,600,000 Offer Shares (in the case of (iii)) representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer, 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 Joint Bookrunners deem appropriate.

In addition, the Joint Bookrunners may reallocate 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 Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate.

THE PLACING

Number of Shares Initially Offered

Subject to the reallocation as described above, the number of Shares to be initially offered under the Placing will be 172,080,000 Shares comprising 94,280,000 New Shares and 77,800,000 Sale Shares, representing 90% of the Offer Shares under the Share Offer. Subject to the reallocation 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.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriter(s) 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 Joint Bookrunners (for themselves 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 Joint Bookrunners 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.

PRICING AND ALLOCATION

Determining the Offer Price

The Placing Underwriter(s) will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Thursday, 6 October 2016, by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price will be not more than HK\$0.70 per Share and is expected to be not less than HK\$0.66 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price Payable on Application

Applicants for the Public Offer Shares under the Public Offer are required to pay, on application, the maximum 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\$7,070.54 for each board lot of 10,000 Shares. If the Offer Price is less than HK\$0.70, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 6 October 2016, the Share Offer will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Bookrunners (for themselves and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.chongkin.com.hk) notices of the reduction. Upon issue of such a notice, the revised indicative offer price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder), will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer 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.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

Announcement of Offer Price and Basis of Allocations

The final Offer Price, 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 in South China Morning Post (in English) and the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.chongkin.com.hk).

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriter(s) under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)) agreeing on the Offer Price.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date.

These underwriting arrangements, and the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE PUBLIC 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 (subject only to allotment) 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;
- the Offer Price having been duly agreed between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Public Offer Underwriter(s) under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriter(s) 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).

If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Thursday, 6 October 2016, the Share Offer will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) 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 paragraph headed “How to Apply for the Public Offer Shares – 14. Dispatch/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).

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 – The 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sponsor, the Joint Bookrunners, 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 and they may not apply by means of **HK eIPO White Form** 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;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For the 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) the following offices of the Public Offer Underwriter(s):
 - **Luk Fook Securities (HK) Limited** at Units 502-6, 5/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
 - **Sorrento Securities Limited** at 11/F, The Wellington, 198 Wellington Street, Central, Hong Kong
- (ii) the following office of the Sponsor:
 - **TC Capital International Limited** at Suite 1903-4, 19th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Address
Hong Kong	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
	Admiralty Branch	Shop 1013-1014, 1/F, United Centre, 95 Queensway, Admiralty, Hong Kong
	North Point Branch	G/F, 436-438 King's Road, North Point, Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road, Hong Kong
Kowloon	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon
	Mongkok Branch	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok, Kowloon
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423-427 Castle Peak Road, Tsuen Wan
	Shatin Branch	Shop 22J, Level 3, Shatin Centre, New Territories
	Tseung Kwan O Branch	Shop 1025A, Level 1, Metro City Phase II, 8 Yan King Road, Tseung Kwan O, New Territories

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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – Chong Kin 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 open 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 "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sponsor, the Joint Bookrunners, 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 Joint Bookrunners, 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 Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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 Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who Can Apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 30 September 2016 until 11:30 a.m. on Wednesday, 5 October 2016 and the

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 5 October 2016 or such later time under the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instructions given by you or for your benefit through the **HK eIPO White Form** to make an application for the Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instructions under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter, 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 Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for the Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the 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 10,000 Public Offer Shares. Instructions for more than 10,000 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 ⁽¹⁾ p.m.
Monday, 3 October 2016	–	8:00 a.m. to 8:30 ⁽¹⁾ p.m.
Tuesday, 4 October 2016	–	8:00 a.m. to 8:30 ⁽¹⁾ p.m.
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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Bookrunners, 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.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Public Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Sponsor and the Underwriters take no

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 5 October 2016 or such later time under the paragraph "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

8. 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.

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 or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instructions in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For details on the Offer Price, please see the section headed “Structure and Conditions of the Share Offer”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 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”, an announcement will be made in such event.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final offer price, 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 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at www.chongkin.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong Identity Card/Passport/Hong Kong Business Registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.chongkin.com.hk 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, Sunday and Public Holiday);
- 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.

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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

12. 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 or through the **HK eIPO White Form**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the 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.

(ii) If the Company or its agents exercise their discretion to reject your application:

Our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.70 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section "Structure and Conditions of the Share Offer – Conditions of the Public Offer" in this prospectus are not fulfilled or if any

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum offer price of HK\$0.70 per Offer Share (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or 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).

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 "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 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 dispatched 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 Friday, 14 October 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

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 Friday, 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 “11. Publication of Results” in this section on Friday, 14 October 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 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 Friday, 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 and/or difference between the Offer Price and the maximum offer price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 14 October 2016.
- No interest will be paid thereon.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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.

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

The following is the text of a report received from our Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of our Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 September 2016

The Directors
Chong Kin Group Holdings Limited
TC Capital International Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding Chong Kin Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the years ended 31 March 2014, 2015 and 2016 (the "**Track Record Period**"), for inclusion in the prospectus of the Company dated 30 September 2016 (the "**Prospectus**") in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company, which acts as an investment holding company, was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 31 May 2016. Through a corporate reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix IV "Statutory and General Information" to the Prospectus (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group on 27 September 2016.

As at the date of this report, the Company has the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
Chong Kin Group Limited (“ Chong Kin BVI ”)	Limited liability company incorporated on 25 May 2016, the British Virgin Islands (the “BVI”)	US\$1	100% (direct)	Investment holding
Fung Sang Investment Limited (“ Fung Sang ”)	Limited liability company incorporated on 26 May 2016, the BVI	US\$1	100% (indirect)	Investment holding
Trade Achiever Investments Limited (“ Trade Achiever ”)	Limited liability company incorporated on 6 April 2016, the BVI	US\$1	100% (indirect)	Investment holding
Chong Fung Investment Limited (“ Chong Fung ”)	Limited liability company incorporated on 26 May 2016, the BVI	US\$1	100% (indirect)	Investment holding
Richway Investment Limited (“ Richway Investment ”)	Limited liability company incorporated on 27 May 2016, the BVI	US\$1	100% (indirect)	Investment holding
Kam Fung Engineering Limited (“ Kam Fung ”)	Limited liability company incorporated on 15 March 2000, Hong Kong	HK\$10,000	100% (indirect)	Provision of concrete placing and other ancillary services
Sang Fu Engineering Limited (“ Sang Fu ”)	Limited liability company incorporated on 4 August 2008, Hong Kong	HK\$100	100% (indirect)	Provision of concrete placing and other ancillary services
Global Sunny Engineering Limited (“ Global Sunny ”)	Limited liability company incorporated on 6 March 2007, Hong Kong	HK\$100	100% (indirect)	Provision of concrete placing and other ancillary services
Richway Mechanical Engineering Co., Limited (“ Richway Mechanical ”)	Limited liability company incorporated on 3 December 2008, Hong Kong	HK\$100	100% (indirect)	Provision of concrete placing and other ancillary services

All companies now comprising the Group have adopted 31 March as their financial year end date.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement and the Company has not carried on any business other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for Chong Kin BVI, Fung Sang, Trade Achiever, Chong Fung and Richway Investment since their respective dates of incorporation as they were incorporated in a country where there is no statutory audit requirement.

The statutory financial statements of Kam Fung, Sang Fu, Global Sunny and Richway Mechanical for the year ended 31 March 2014, which were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard (“SME-FRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), were audited by Simon W. F. Ng & Company, Certified Public Accountants (Practising), Hong Kong.

The statutory financial statements of Kam Fung, Sang Fu, Global Sunny and Richway Mechanical for the year ended 31 March 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, were audited by Lai Yiu Hong, Certified Public Accountants (Practising), Hong Kong.

No statutory audited financial statements have been prepared for Kam Fung, Sang Fu, Global Sunny and Richway Mechanical for the year ended 31 March 2016 as such financial statements are not yet due for audit under the statutory requirements of their respective places of incorporation.

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 (the “**Underlying Financial Statements**”) in accordance with HKFRSs issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section II below, and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of Section II below, the Financial Information gives, for the purpose of this report, a true and fair view of the combined financial position of the Group as at 31 March 2014, 2015 and 2016, and of the combined financial performance and combined cash flows of the Group for the Track Record Period.

I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group as at 31 March 2014, 2015 and 2016 and for each of the years ended 31 March 2014, 2015 and 2016, presented on the basis set out in Note 1 of Section II below:

Combined statements of profit or loss and other comprehensive income

	<i>Note</i>	Year ended 31 March		
		2014	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	187,122	273,560	378,479
Cost of sales	6	<u>(155,052)</u>	<u>(227,301)</u>	<u>(310,389)</u>
Gross profit		32,070	46,259	68,090
Other income	5	3,180	3,004	2,851
Administrative and other operating expenses	6	<u>(13,382)</u>	<u>(21,567)</u>	<u>(32,075)</u>
Operating profit		21,868	27,696	38,866
Finance costs	9	<u>(1,984)</u>	<u>(1,695)</u>	<u>(1,158)</u>
Profit before income tax		19,884	26,001	37,708
Income tax expense	10	<u>(3,175)</u>	<u>(4,354)</u>	<u>(7,501)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>16,709</u>	<u>21,647</u>	<u>30,207</u>
Basic and diluted earnings per share	11	<u>HK cents 2.57</u>	<u>HK cents 3.32</u>	<u>HK cents 4.64</u>

Details of dividends are disclosed in Note 12 to the Financial Information.

Combined statements of financial position

	Note	As at 31 March		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	29,812	44,339	34,090
Deposits and prepayments for life insurance policies	14	<u>3,322</u>	<u>3,403</u>	<u>3,491</u>
		<u>33,134</u>	<u>47,742</u>	<u>37,581</u>
Current assets				
Trade and other receivables	16	29,183	41,175	53,377
Gross amounts due from customers for contract work	17	46,987	40,605	52,500
Amounts due from shareholders	18	–	–	6,148
Current income tax recoverable		–	35	4,252
Cash and bank balances	20	<u>7,204</u>	<u>21,667</u>	<u>67,744</u>
		<u>83,374</u>	<u>103,482</u>	<u>184,021</u>
Total assets		<u>116,508</u>	<u>151,224</u>	<u>221,602</u>
EQUITY				
Capital and reserves				
Combined capital	21	–	–	10
Retained earnings		<u>32,973</u>	<u>54,620</u>	<u>84,827</u>
Total equity		<u>32,973</u>	<u>54,620</u>	<u>84,837</u>
LIABILITIES				
Non-current liabilities				
Borrowings	22	17,097	13,743	5,449
Deferred tax liabilities	23	<u>1,889</u>	<u>3,274</u>	<u>3,922</u>
		<u>18,986</u>	<u>17,017</u>	<u>9,371</u>

	As at 31 March		
	2014	2015	2016
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	24	13,334	23,468
Gross amounts due to customers for contract work	17	4,797	16,775
Amounts due to shareholders	18	27,791	10,298
Amount due to a related company	19	3,452	–
Borrowings	22	12,884	23,983
Current income tax liabilities		2,291	5,063
		<u>64,549</u>	<u>79,587</u>
		<u>127,394</u>	<u>127,394</u>
Total liabilities		<u>83,535</u>	<u>96,604</u>
		<u>136,765</u>	<u>136,765</u>
Total equity and liabilities		<u>116,508</u>	<u>151,224</u>
		<u>221,602</u>	<u>221,602</u>
Net current assets		<u>18,825</u>	<u>23,895</u>
		<u>56,627</u>	<u>56,627</u>
Total assets less current liabilities		<u>51,959</u>	<u>71,637</u>
		<u>94,208</u>	<u>94,208</u>

Combined statements of changes in equity

	Combined capital <i>HK\$'000</i> <i>(Note 21)</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2013	–	16,264	16,264
Profit and total comprehensive income for the year	<u>–</u>	<u>16,709</u>	<u>16,709</u>
Balance at 31 March 2014	<u>–</u>	<u>32,973</u>	<u>32,973</u>
Balance at 1 April 2014	–	32,973	32,973
Profit and total comprehensive income for the year	<u>–</u>	<u>21,647</u>	<u>21,647</u>
Balance at 31 March 2015	<u>–</u>	<u>54,620</u>	<u>54,620</u>
Balance at 1 April 2015	–	54,620	54,620
Issue of ordinary shares	10	–	10
Profit and total comprehensive income for the year	<u>–</u>	<u>30,207</u>	<u>30,207</u>
Balance at 31 March 2016	<u>10</u>	<u>84,827</u>	<u>84,837</u>

Combined statements of cash flows

	Note	Year ended 31 March		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Cash flows from operating activities				
Net cash generated from operations	25	23,285	55,677	66,751
Tax paid		(1)	(232)	(16,133)
Interest paid on bank overdrafts		(96)	(5)	(7)
Net cash generated from operating activities		<u>23,188</u>	<u>55,440</u>	<u>50,611</u>
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment		–	–	3
Purchases of property, plant and equipment		(1,364)	(2,851)	(3,996)
Increase in amounts due from shareholders		–	–	(6,148)
Net cash used in investing activities		<u>(1,364)</u>	<u>(2,851)</u>	<u>(10,141)</u>
Cash flows from financing activities				
Proceeds from issue of ordinary shares of Kam Fung		–	–	10
Repayment of finance leases		(8,282)	(14,387)	(22,294)
Drawdown of bank borrowings		–	–	38,000
Repayment of bank borrowings		(1,047)	(1,104)	(2,336)
Interest paid on finance leases		(1,676)	(1,625)	(1,076)
Interest paid on bank borrowings		(212)	(65)	(75)
Decrease in amount due to a related company		(255)	(3,452)	–
Decrease in amounts due to shareholders		(1,209)	(17,493)	(10,298)
Net cash (used in)/generated from financing activities		<u>(12,681)</u>	<u>(38,126)</u>	<u>1,931</u>
Net increase in cash and cash equivalents		9,143	14,463	42,401
Cash and cash equivalents at beginning of year		<u>(1,939)</u>	<u>7,204</u>	<u>21,667</u>
Cash and cash equivalents at end of year		<u><u>7,204</u></u>	<u><u>21,667</u></u>	<u><u>64,068</u></u>

		Year ended 31 March		
		2014	2015	2016
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysis of cash and cash equivalents				
Cash and bank balances	20	7,204	21,667	67,744
Bank overdrafts	22	—	—	(3,676)
		<u>7,204</u>	<u>21,667</u>	<u>64,068</u>

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 31 May 2016 as an exempted company with limited liability. Its parent and ultimate holding company is Pioneer Investment Limited, a company incorporated in the BVI and owned as to 70% by Mr. Cheung Yuk Kei (“**Mr. Cheung**”) and 30% by Mr. Chan Yiu Hung (“**Mr. Chan**”), the controlling parties of the Company.

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus. The Company is an investment holding company. The Group is principally engaged in provision of concrete placing services and other ancillary services.

Throughout the Track Record Period, the group entities were under the control of Mr. Cheung and Mr. Chan. Through the Reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix IV “Statutory and General Information” to the Prospectus, the Company became the holding company of the companies now comprising the Group on 27 September 2016. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Cheung and Mr. Chan prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates 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 at those dates.

The Financial Information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of presentation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. The Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

		Effective for accounting periods of the Group beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 1	Disclosure Initiative	1 January 2016
Amendments to HKAS 7	Disclosure Initiative	1 January 2017
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to HKAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	a date to be determined
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016

- HKFRS 9 “Financial Instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes. The Group is assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Group’s consolidated financial statements.

- HKFRS 15 “Revenue from Contracts with Customers” was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, this standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

It establishes that revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Under HKFRS 15, revenue is either recognised over time or at a point in time while under HKAS 11 contract revenue is recognised by reference to the stage of completion. The directors of the Company expect that revenue will continue to be recognised as the contract progresses, broadly similar to the method under HKAS 11. However, revenue recognition will be significantly delayed if it cannot be established that performance obligations are satisfied over time. In addition, contract modifications will be required to be approved before revenue is recognised; this new requirement may result in revenue from contract modifications to be recognised later than it would have been under HKAS 11. The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group’s Financial Information. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

- HKFRS 16 “Leases” introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. As set out in note 26, total operating lease commitments of the Group in respect of rented premises and storage of machinery and equipment as at 31 March 2016 amounted to approximately HK\$536,000. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group’s result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group will adopt these new standards, amendments and interpretations in the period of initial application. Other than explained above regarding the impact of HKFRS 9, HKFRS 15 and HKFRS 16, the Group expects that the adoption of the other new or revised standards will have no significant impact on the Group's result of operations and its financial position.

(b) Consolidation and combination

The combined financial information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Merger accounting for common control combinations

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(e) **Foreign currency translation**

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Financial Information is presented in HK\$, which is the Company's functional and presentation currency.

(f) **Property, plant and equipment**

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Machinery and equipment	20%
Leasehold improvements	Over lease term
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statements of profit or loss and other comprehensive income.

(g) **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the combined statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(i) Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the combined statements of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

(j) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "deposits and prepayments for life insurance policies", "trade and other receivables", "amounts due from shareholders" and "cash and bank balances" in the combined statements of financial position.

(k) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of

one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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 was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(l) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Cash and cash equivalents

In the combined statements of cash flow, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

(n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(q) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The Group operates defined contribution plans and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(t) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(v) Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

(a) Concrete placing and other ancillary services income

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 2(i) above.

(b) Rental income

Rental income from lease of machinery is recognised based on the straight-line basis over the lease terms.

(c) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(w) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's combined financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT**(a) Financial risk factors**

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

Other than deposits and prepayments for life insurance policies and bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of deposits and prepayments for life insurance policies and bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings obtained with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 March 2014, 2015 and 2016, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after income tax for the year would have been decreased/increased by approximately HK\$24,000, HK\$15,000 and HK\$343,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk

Credit risk arises mainly from deposits and prepayments for life insurance policies, trade and other receivables, amounts due from shareholders and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

The credit risk of bank balances and deposits and prepayments for life insurance policies are limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies and financial institution with good reputation respectively.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented 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 receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2014, 2015 and 2016, there were 4, 3 and 3 customers which individually contributed over 10% of the Group's trade and other receivables, respectively. The aggregate amounts of trade and other receivables from these customers amounted to 69%, 41% and 47% of the Group's total trade and other receivables as at 31 March 2014, 2015 and 2016 respectively.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at the year end dates during the Track Record Period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end dates during the Track Record Period) and the earliest date the Group may be required to pay:

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
At 31 March 2014				
Trade and other payables	13,334	–	–	13,334
Finance lease liabilities	11,429	11,338	6,758	29,525
Amounts due to shareholders	27,791	–	–	27,791
Amount due to a related company	3,452	–	–	3,452
Borrowings (excluding finance lease liabilities)	<u>3,027</u>	<u>–</u>	<u>–</u>	<u>3,027</u>
	<u>59,033</u>	<u>11,338</u>	<u>6,758</u>	<u>77,129</u>
At 31 March 2015				
Trade and other payables	23,468	–	–	23,468
Finance lease liabilities	23,300	9,451	4,890	37,641
Amounts due to shareholders	10,298	–	–	10,298
Borrowings (excluding finance lease liabilities)	<u>1,827</u>	<u>–</u>	<u>–</u>	<u>1,827</u>
	<u>58,893</u>	<u>9,451</u>	<u>4,890</u>	<u>73,234</u>
At 31 March 2016				
Trade and other payables	40,717	–	–	40,717
Finance lease liabilities	9,664	4,062	1,609	15,335
Borrowings (excluding finance lease liabilities)	<u>42,077</u>	<u>–</u>	<u>–</u>	<u>42,077</u>
	<u>92,458</u>	<u>4,062</u>	<u>1,609</u>	<u>98,129</u>

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

The gearing ratios during the Track Record Period are as follows:

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Total borrowings (<i>Note 22</i>)	29,981	37,726	55,740
Total equity	<u>32,973</u>	<u>54,620</u>	<u>84,837</u>
Gearing ratio	<u>91%</u>	<u>69%</u>	<u>66%</u>

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives and impairment of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

(b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each financial period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

5 REVENUE AND SEGMENT INFORMATION

Revenue and other income recognised during the respective years are as follows:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
Concrete placing and other ancillary services	<u>187,122</u>	<u>273,560</u>	<u>378,479</u>
Other income			
Rental income	2,070	1,247	587
Interest income	81	81	88
Government grants (<i>Note</i>)	–	304	–
Insurance claims	647	103	1,382
Others	<u>382</u>	<u>1,269</u>	<u>794</u>
	<u>3,180</u>	<u>3,004</u>	<u>2,851</u>

Note: There are no unfulfilled conditions or contingencies relating to these grants.

Segment information

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews Financial Information accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

Information about major customers

Revenue from customers 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	86,255	115,314	147,916
Customer B	35,892	28,276	N/A ¹
Customer C	N/A ¹	63,972	72,072
Customer D	N/A ¹	N/A ¹	41,647
Customer E	N/A ¹	29,430	56,207
	<u> </u>	<u> </u>	<u> </u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group during the corresponding year of the Track Record Period.

6 EXPENSES BY NATURE

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cost of sales			
Materials and supplies	13,578	13,564	17,696
Staff costs (<i>Note 7</i>)	100,084	165,677	228,008
Subcontracting charges	21,973	26,669	40,548
Transportation	2,688	3,728	4,932
Depreciation of owned assets (<i>Note</i>)	972	628	910
Depreciation of leased assets (<i>Note</i>)	7,171	8,423	9,937
Repair and maintenance	3,339	3,287	1,294
Machine rental	1,485	541	632
Site management fee	2,374	3,983	6,363
Other expenses	1,388	801	69
	<u> </u>	<u> </u>	<u> </u>
	<u>155,052</u>	<u>227,301</u>	<u>310,389</u>

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Administrative and other operating expenses			
Auditors' remuneration	105	200	200
Depreciation of owned assets (<i>Note</i>)	103	95	125
Depreciation of leased assets (<i>Note</i>)	635	585	750
Entertainment	1,034	1,977	445
Insurance	300	366	887
Listing expenses	–	1,050	7,736
Operating lease rental on premises	1,188	1,196	1,174
Staff costs, including directors' emoluments (<i>Note 7</i>)	7,612	13,080	17,284
Motor vehicle expenses	1,368	1,438	1,476
Loss on disposal of property, plant and equipment	–	–	14
Other expenses	1,037	1,580	1,984
	<u> </u>	<u> </u>	<u> </u>
	<u>13,382</u>	<u>21,567</u>	<u>32,075</u>

Note:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Depreciation	10,270	11,560	15,196
Less: Amount included in gross amounts due from/(to) customers for contract work	<u>(1,389)</u>	<u>(1,829)</u>	<u>(3,474)</u>
	<u>8,881</u>	<u>9,731</u>	<u>11,722</u>

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and other benefits	99,866	142,179	208,888
Retirement scheme contributions – defined contribution plan	<u>3,138</u>	<u>3,675</u>	<u>5,571</u>
	103,004	145,854	214,459
Add: Amount included in gross amounts due from/(to) customers for contract work	<u>4,692</u>	<u>32,903</u>	<u>30,833</u>
	<u>107,696</u>	<u>178,757</u>	<u>245,292</u>

The Group operates defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund (“MPF”) Schemes Ordinance. All assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director for the Track Record Period is set out below:

	Fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2014					
<i>Executive directors</i>					
Mr. Cheung	–	1,095	200	15	1,310
Mr. Fung Chi Chung (“Mr. Fung”)	–	825	169	15	1,009
	–	1,920	369	30	2,319
Year ended 31 March 2015					
<i>Executive directors</i>					
Mr. Cheung	–	2,098	740	18	2,856
Mr. Fung	–	876	223	18	1,117
Mr. Cheung Man Tim (“Mr. Tim Cheung”)	–	243	–	–	243
	–	3,217	963	36	4,216
Year ended 31 March 2016					
<i>Executive directors</i>					
Mr. Cheung	–	2,058	1,171	18	3,247
Mr. Fung	–	946	279	18	1,243
Mr. Tim Cheung	–	946	479	18	1,443
	–	3,950	1,929	54	5,933

Mr. Cheung was appointed on 31 May 2016 as a director of the Company and re-designated as an executive director of the Company on 28 June 2016, Mr. Fung and Mr. Tim Cheung were appointed as executive directors of the Company on 28 June 2016. Mr. Cheung was also a director of certain subsidiaries of the Company and Mr. Fung and Mr. Tim Cheung were also employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the director of these subsidiaries and employees of the Group before their appointment as executive directors of the Company.

Mr. Miu Hon Kit, Mr. Seid Ka Him and Mr. Leung Chi Wai were appointed as independent non-executive directors of the Company on 27 September 2016. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

For the years ended 31 March 2014, 2015 and 2016, the five individuals whose emoluments were the highest in the Group include 2, 2 and 3 directors respectively, whose emoluments are disclosed above. The emoluments paid to the remaining 3, 3 and 2 individuals are as follows:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	1,844	2,659	3,066
Discretionary bonuses	297	638	530
Retirement scheme contributions	43	36	33
	<u>2,184</u>	<u>3,333</u>	<u>3,629</u>

The emoluments fell within the following bands:

	Number of individuals		
	Year ended 31 March		
	2014	2015	2016
Emolument bands (in HK\$)			
Nil – HK\$1,000,000	3	–	–
HK\$1,000,001 – HK\$1,500,000	–	3	1
HK\$1,500,001 – HK\$2,000,000	–	–	–
HK\$2,000,001 – HK\$2,500,000	–	–	1
	<u>–</u>	<u>–</u>	<u>1</u>

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

9 FINANCE COSTS

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on finance leases	1,676	1,625	1,076
Interest on bank overdrafts and bank borrowings	308	70	82
	<u>1,984</u>	<u>1,695</u>	<u>1,158</u>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period.

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax			
Current income tax	1,070	2,969	6,853
Deferred income tax (<i>Note 23</i>)	2,105	1,385	648
	<u>3,175</u>	<u>4,354</u>	<u>7,501</u>
Income tax expense	<u>3,175</u>	<u>4,354</u>	<u>7,501</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>19,884</u>	<u>26,001</u>	<u>37,708</u>
Calculated at a tax rate of 16.5%	3,281	4,290	6,222
Income not subject to tax	–	(50)	–
Expenses not deductible for tax purposes	25	220	1,282
Tax concession	(20)	(40)	(40)
Utilisation of previously unrecognised tax losses	(111)	(79)	–
Tax losses for which no deferred income tax asset was recognised	8	16	39
Others	(8)	(3)	(2)
	<u>3,175</u>	<u>4,354</u>	<u>7,501</u>
Income tax expense	<u>3,175</u>	<u>4,354</u>	<u>7,501</u>

11 EARNINGS PER SHARE

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of 651,400,000 shares (comprising 10,000 shares in issue and 651,390,000 shares to be issued under the capitalisation issue as described in Appendix IV "Statutory and General Information" to the Prospectus) as if these 651,400,000 shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the Track Record Period.

12 DIVIDENDS

During the Track Record Period, no dividend was paid or declared by the Company.

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment <i>HK\$'000</i> <i>(Note a)</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i> <i>(Note b)</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2013	51,605	–	950	1,879	54,434
Additions	<u>8,030</u>	<u>–</u>	<u>–</u>	<u>2,677</u>	<u>10,707</u>
At 31 March 2014	<u>59,635</u>	<u>–</u>	<u>950</u>	<u>4,556</u>	<u>65,141</u>
Accumulated depreciation					
At 1 April 2013	22,528	–	846	1,685	25,059
Charge for the year	<u>9,532</u>	<u>–</u>	<u>69</u>	<u>669</u>	<u>10,270</u>
At 31 March 2014	<u>32,060</u>	<u>–</u>	<u>915</u>	<u>2,354</u>	<u>35,329</u>
Net book value					
At 31 March 2014	<u><u>27,575</u></u>	<u><u>–</u></u>	<u><u>35</u></u>	<u><u>2,202</u></u>	<u><u>29,812</u></u>
Cost					
At 1 April 2014	59,635	–	950	4,556	65,141
Additions	25,207	220	12	648	26,087
Disposals	<u>(2,736)</u>	<u>–</u>	<u>–</u>	<u>(789)</u>	<u>(3,525)</u>
At 31 March 2015	<u>82,106</u>	<u>220</u>	<u>962</u>	<u>4,415</u>	<u>87,703</u>
Accumulated depreciation					
At 1 April 2014	32,060	–	915	2,354	35,329
Charge for the year	10,880	37	30	613	11,560
Disposals	<u>(2,736)</u>	<u>–</u>	<u>–</u>	<u>(789)</u>	<u>(3,525)</u>
At 31 March 2015	<u>40,204</u>	<u>37</u>	<u>945</u>	<u>2,178</u>	<u>43,364</u>
Net book value					
At 31 March 2015	<u><u>41,902</u></u>	<u><u>183</u></u>	<u><u>17</u></u>	<u><u>2,237</u></u>	<u><u>44,339</u></u>
Cost					
At 1 April 2015	82,106	220	962	4,415	87,703
Additions	3,810	–	–	1,154	4,964
Disposals	<u>(2,166)</u>	<u>–</u>	<u>–</u>	<u>(20)</u>	<u>(2,186)</u>
At 31 March 2016	<u>83,750</u>	<u>220</u>	<u>962</u>	<u>5,549</u>	<u>90,481</u>
Accumulated depreciation					
At 1 April 2015	40,204	37	945	2,178	43,364
Charge for the year	14,321	110	6	759	15,196
Disposals	<u>(2,166)</u>	<u>–</u>	<u>–</u>	<u>(3)</u>	<u>(2,169)</u>
At 31 March 2016	<u>52,359</u>	<u>147</u>	<u>951</u>	<u>2,934</u>	<u>56,391</u>
Net book value					
At 31 March 2016	<u><u>31,391</u></u>	<u><u>73</u></u>	<u><u>11</u></u>	<u><u>2,615</u></u>	<u><u>34,090</u></u>

Notes:

- (a) Machinery and equipment includes the following amounts where the Group is a lessee under finance leases:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – capitalised finance leases	41,970	65,601	65,601
Accumulated depreciation	<u>(15,258)</u>	<u>(25,382)</u>	<u>(38,502)</u>
Net book value	<u>26,712</u>	<u>40,219</u>	<u>27,099</u>

- (b) Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – capitalised finance leases	3,177	3,588	4,742
Accumulated depreciation	<u>(1,024)</u>	<u>(1,392)</u>	<u>(2,141)</u>
Net book value	<u>2,153</u>	<u>2,196</u>	<u>2,601</u>

14 DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICIES

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits and prepayments for life insurance policies	<u>3,322</u>	<u>3,403</u>	<u>3,491</u>

The Group entered into two life insurance policies (the “Policies”) with an insurance company to insure shareholders of the Company. Under the Policies, the beneficiaries and policy holders are subsidiaries of the Company and the total insured sums are United States dollars (“US\$”) 1,500,000 (equivalent to approximately HK\$11,700,000).

At inception of the Policies, the Group is required to make a total single upfront payments of US\$435,120 (equivalent to approximately HK\$3,394,000) which include fixed policy premium charge and deposits. Monthly policy expense and insurance charge will be incurred over the insurance period with reference to the terms set out in the Policies.

The insurance company will pay the Group guaranteed interest rates of 3.3% for the first three years and 4.0% for the first year, respectively, and a variable return per annum afterwards (with guaranteed minimum interest rate of 3.0% and 2.0%, respectively, during the effective period of the Policies). The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the Policies and the deposits placed are carried at amortised cost using the effective interest method. The Group may request full surrender of the Policies at any time and receive cash back based on the value of the Policies at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus the policy expense and insurance premium charge. If such withdrawal are made between the first to fifteenth policy year and first to eighteenth policy year, respectively, a pre-determined specified surrender charge would be imposed on the Group.

The directors of the Company consider that the possibility of terminating the Policies during the first to fifteenth policy year and first to eighteenth policy year, respectively, was low and the expected life of the life insurance policy remains unchanged since its initial recognition.

15 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
<i>Loans and receivables</i>			
Deposits and prepayments for life insurance policies	3,322	3,403	3,491
Trade and other receivables	29,181	36,464	52,952
Amounts due from shareholders	–	–	6,148
Cash and bank balances	7,204	21,667	67,744
Total	39,707	61,534	130,335
Financial liabilities			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	13,334	23,468	40,717
Amounts due to shareholders	27,791	10,298	–
Amount due to a related company	3,452	–	–
Borrowings (excluding finance lease liabilities)	2,851	1,747	41,087
Finance lease liabilities	27,130	35,979	14,653
Total	74,558	71,492	96,457

16 TRADE AND OTHER RECEIVABLES

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	4,069	8,530	15,018
Other receivables, deposits and prepayments	1,736	5,938	1,583
Retention receivables	23,378	26,707	36,776
	29,183	41,175	53,377

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. Credit terms granted to customers vary from contract to contract. The credit period granted to customers is 14 to 60 days from payment application date generally. Customers generally make payments within 7 to 14 days from the date of issue of payment certificates to the Group. Trade receivables are denominated in HK\$.

- (b) The ageing analysis of the trade receivables based on the date of payment certificates issued by customers is as follows:

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
0 – 30 days	2,295	4,765	10,977
31 – 60 days	86	3,315	3,041
61 – 90 days	–	–	753
Over 90 days	1,688	450	247
	<u>4,069</u>	<u>8,530</u>	<u>15,018</u>

Trade receivables of approximately HK\$927,000, HK\$4,294,000 and HK\$7,227,000 as at 31 March 2014, 2015 and 2016 respectively were not yet past due and approximately HK\$3,142,000, HK\$4,236,000 and HK\$7,791,000 as at 31 March 2014, 2015 and 2016 respectively were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made. The ageing analysis of these trade receivables is as follows:

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
0 – 30 days	152	2,992	3,750
31 – 60 days	41	846	3,794
61 – 90 days	–	–	–
Over 90 days	2,949	398	247
	<u>3,142</u>	<u>4,236</u>	<u>7,791</u>

Retention receivables were not yet past due as at 31 March 2014, 2015 and 2016, and will be settled in accordance with the terms of respective contract.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

17 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Gross amounts due from customers for contract work			
Contract costs incurred plus recognised profits less recognised losses	350,011	370,534	499,352
Less: Progress billings received and receivable	<u>(303,024)</u>	<u>(329,929)</u>	<u>(446,852)</u>
	<u>46,987</u>	<u>40,605</u>	<u>52,500</u>
Gross amounts due to customers for contract work			
Progress billings received and receivable	36,546	207,401	382,927
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(31,749)</u>	<u>(190,626)</u>	<u>(346,541)</u>
	<u>4,797</u>	<u>16,775</u>	<u>36,386</u>

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

18 AMOUNTS DUE FROM/TO SHAREHOLDERS

(a) Amounts due from shareholders

Name of shareholders	Maximum outstanding balance during the year ended 31 March			As at 31 March		
	2014	2015	2016	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Cheung	-	-	744	-	-	562
Mr. Chan	-	-	5,586	-	-	5,586
				<u>-</u>	<u>-</u>	<u>6,148</u>

Mr. Cheung is an executive director of the Company.

The amounts due were non-trade nature, unsecured, non-interest bearing and had no fixed terms of repayment.

(b) Amounts due to shareholders

Name of shareholders	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Mr. Cheung	23,835	9,662	–
Mr. Chan	3,956	636	–
	<u>27,791</u>	<u>10,298</u>	<u>–</u>

The amounts due were non-trade nature, unsecured, non-interest bearing and had no fixed terms of repayment.

19 AMOUNT DUE TO A RELATED COMPANY

The related company is Kam Kee Steel's Works Limited, a company wholly-owned by Mr. Chan.

The amount due was non-trade nature, unsecured, non-interest bearing and had no fixed terms of repayment.

20 CASH AND BANK BALANCES

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Cash at banks	7,204	21,611	67,516
Cash on hand	–	56	228
	<u>7,204</u>	<u>21,667</u>	<u>67,744</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The carrying amount of cash and bank balances were denominated in the following currencies:

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
HK\$	7,203	21,666	67,717
US\$	1	1	27
	<u>7,204</u>	<u>21,667</u>	<u>67,744</u>

21 COMBINED CAPITAL

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Combined capital	<u>–</u>	<u>–</u>	<u>10</u>

For the purpose of the preparation of the combined statements of financial position, the balance of combined capital at 31 March 2014, 2015 and 2016 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by the controlling parties of the Company prior to the Reorganisation.

On 1 April 2015, 6,999 shares and 2,999 shares of Kam Fung were allotted and issued at HK\$1 each to Mr. Cheung and Mr. Chan respectively.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 31 May 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one share was issued thereafter.

22 BORROWINGS

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Non-current			
Finance lease liabilities (<i>Note c</i>)	17,097	13,743	5,449
Current			
Bank overdrafts (<i>Notes b and f</i>)	–	–	3,676
Bank borrowings (<i>Notes a, b and f</i>)	2,851	1,747	37,411
Finance lease liabilities (<i>Note c</i>)	10,033	22,236	9,204
	<u>12,884</u>	<u>23,983</u>	<u>50,291</u>
Total borrowings	<u><u>29,981</u></u>	<u><u>37,726</u></u>	<u><u>55,740</u></u>

Notes:

(a) Bank borrowings

The bank borrowings are classified as current liabilities according to the HK Interpretation 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the HKICPA. According to the repayment schedule, the bank borrowings are repayable as follows:

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Within 1 year	1,105	850	26,589
Between 1 and 2 years	850	248	10,427
Between 2 and 5 years	762	649	395
Over 5 years	134	–	–
	<u>2,851</u>	<u>1,747</u>	<u>37,411</u>

- (b) The carrying amounts of the bank overdrafts and bank borrowings are denominated in the following currencies:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
HK\$	1,478	608	40,190
US\$	1,373	1,139	897
	<u>2,851</u>	<u>1,747</u>	<u>41,087</u>

- (c) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

At the end of lease term of certain finance leases the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option.

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Gross finance lease liabilities – minimum lease payments			
Within 1 year	11,429	23,300	9,664
Between 1 and 2 years	11,338	9,451	4,062
Between 2 and 5 years	<u>6,758</u>	<u>4,890</u>	<u>1,609</u>
	29,525	37,641	15,335
Future finance charges on finance leases	<u>(2,395)</u>	<u>(1,662)</u>	<u>(682)</u>
Present value of finance lease liabilities	<u>27,130</u>	<u>35,979</u>	<u>14,653</u>

The present value of finance lease liabilities is as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	10,033	22,236	9,204
Between 1 and 2 years	10,594	9,023	3,883
Between 2 and 5 years	<u>6,503</u>	<u>4,720</u>	<u>1,566</u>
	<u>27,130</u>	<u>35,979</u>	<u>14,653</u>

The finance leases are secured by the Group's machinery and equipment with an aggregate net book value of approximately HK\$26,712,000, HK\$40,219,000 and HK\$27,099,000 and motor vehicles with an aggregate net book value of approximately HK\$2,153,000, HK\$2,196,000 and HK\$2,601,000 as at 31 March 2014, 2015 and 2016 respectively. Finance leases with carrying amounts of approximately HK\$25,024,000, HK\$33,910,000 and HK\$12,368,000 as at 31 March 2014, 2015 and 2016 are guaranteed by personal guarantee given by Mr. Cheung.

The carrying amounts of all finance lease liabilities are denominated in HK\$.

(d) The interest rates per annum of borrowings are as follows:

		As at 31 March	
	2014	2015	2016
Bank overdrafts	5.50% to 7.25%	5.50% to 6.00%	5.50% to 6.00%
Bank borrowings	4.69% to 6.18%	4.69% to 6.18%	4.58% to 6.58%
Finance lease liabilities	4.28% to 8.37%	3.82% to 8.37%	3.82% to 8.37%

(e) As at 31 March 2014, 2015 and 2016, the undrawn banking facilities amounted to approximately HK\$6,716,000, HK\$4,700,000 and HK\$1,024,000 respectively.

(f) These banking facilities are secured/guaranteed by:

- (i) Personal guarantees given by Mr. Cheung and Mr. Chan as at 31 March 2014, 2015 and 2016;
- (ii) Certain property held by Mr. Cheung and his family member of the Company as at 31 March 2014;
- (iii) Subordination agreements executed by Mr. Cheung and/or Mr. Chan or subsidiaries of the Company to subordinate their loan as at 31 March 2014, 2015 and 2016;
- (iv) Pledge of deposits and prepayments life insurance policies amounting to approximately HK\$2,313,000, HK\$3,403,000 and HK\$3,491,000 as at 31 March 2014, 2015 and 2016, respectively;
- (v) Corporate guarantee provided by certain subsidiaries of the Company as at 31 March 2014, 2015 and 2016;
- (vi) Guarantees by the Government of Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme as at 31 March 2014 and 2015; and
- (vii) Guarantee by The Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme as at 31 March 2014, 2015 and 2016.

23 DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the combined statements of financial position and the movements during the Track Record Period are as follows:

Deferred tax (assets)/liabilities arising from:	Depreciation	Tax losses	Total
	allowances in excess of the related depreciation HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	1,299	(1,515)	(216)
Charged to profit or loss (Note 10)	590	1,515	2,105
At 31 March 2014 and 1 April 2014	1,889	–	1,889
Charged to profit or loss (Note 10)	1,385	–	1,385
At 31 March 2015 and 1 April 2015	3,274	–	3,274
Charged to profit or loss (Note 10)	648	–	648
At 31 March 2016	3,922	–	3,922

As at 31 March 2014, 2015 and 2016, the Group has unused tax losses of approximately HK\$654,000, HK\$270,000 and HK\$508,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

24 TRADE AND OTHER PAYABLES

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Trade payables	4,286	5,984	11,731
Accruals and other payables	<u>9,048</u>	<u>17,484</u>	<u>28,986</u>
	<u>13,334</u>	<u>23,468</u>	<u>40,717</u>

Notes:

- (a) The ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
0 – 30 days	3,548	4,915	10,049
31 – 60 days	179	543	1,591
61 – 90 days	203	221	27
Over 90 days	<u>356</u>	<u>305</u>	<u>64</u>
	<u>4,286</u>	<u>5,984</u>	<u>11,731</u>

- (b) All trade and other payables are denominated in HK\$.

25 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	19,884	26,001	37,708
Adjustments for:			
Depreciation	10,270	11,560	15,196
Interest income	(81)	(81)	(88)
Interest expense	1,984	1,695	1,158
Loss on disposal of property, plant and equipment	—	—	14
Operating profit before working capital changes	32,057	39,175	53,988
Decrease/(Increase) in trade and other receivables	688	(11,992)	(12,202)
(Increase)/Decrease in gross amounts due from customers for contract work	(10,796)	6,382	(11,895)
(Decrease)/Increase in trade and other payables	(1,745)	10,134	17,249
Increase in gross amounts due to customers for contract work	3,081	11,978	19,611
Net cash generated from operations	<u>23,285</u>	<u>55,677</u>	<u>66,751</u>

(b) Material non-cash transactions

During the years ended 31 March 2014, 2015 and 2016, additions to property, plant and equipment of approximately HK\$9,343,000, HK\$23,236,000 and HK\$968,000 were financed by finance lease arrangement respectively.

26 COMMITMENTS

(a) Capital commitments

Capital commitments contracted for at the end of each of the Track Record Period but not yet incurred are as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	<u>6,930</u>	<u>5,339</u>	<u>4,104</u>

(b) Operating lease commitments – Group as lessee

At the end of the each of the Track Record Period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March		
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	1,057	1,038	536
In the second to fifth years inclusive	<u>413</u>	<u>442</u>	<u>–</u>
	<u>1,470</u>	<u>1,480</u>	<u>536</u>

The Group is the lessee in respect of office premises and storage of machinery and equipment under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated.

27 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) Save as disclosed in Notes 18, 19 and 22 to the Financial Information, the Group did not have any significant related party transaction with related parties during the Track Record Period.
- (b) The emoluments of the directors and senior executives (representing the key management personnel) during the Track Record Period are disclosed in Note 8.

28 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

III DIRECTORS' REMUNERATION

Save as disclosed in Note 8 to this report, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2017 is expected to be approximately HK\$4,920,000.

IV SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 March 2016:

- (a) The Reorganisation as set out in Note 1 of Section II was completed on 27 September 2016.
- (b) The Company adopted a share option scheme on 27 September 2016, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Prospectus.
- (c) On 27 September 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each.

V SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2016.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Chan Ching Pang
Practising Certificate Number: P05746
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report on the financial information of our Group for the three years ended 31 March 2016 prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, 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" of this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed Share Offer on the audited combined net tangible assets of the Group attributable to owners of the Company as of 31 March 2016, as if the Share Offer had taken place on 31 March 2016.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at 31 March 2016 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016	Add: Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Offer Price of HK\$0.66 per Share	<u>84,837</u>	<u>63,469</u>	<u>148,306</u>	<u>0.19</u>
Based on the Offer Price of HK\$0.70 per Share	<u>84,837</u>	<u>67,891</u>	<u>152,728</u>	<u>0.20</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The unadjusted audited combined net tangible assets attributable to the owners of the Company as of 31 March 2016 is extracted from the Accountants' Report, which is based on the audited combined net assets of the Group attributable to the owners of the Company of approximately HK\$84,837,000.
2. The estimated net proceeds from the Share Offer are based on 113,400,000 Shares at the indicative Offer Price of HK\$0.66 and HK\$0.70 per Share, respectively, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$8,786,000 listing-related expenses which have been accounted for prior to 31 March 2016).
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 764,800,000 Shares are issued and outstanding as set out in the section headed "Share Capital" of this prospectus (assuming that the Share Offer and the Capitalisation Issue had been completed on 31 March 2016).
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 March 2016).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 September 2016

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHONG KIN GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chong Kin Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 31 March 2016 (the “**Unaudited Pro Forma Financial Information**”) and related notes as set out in Section A of Appendix II to the prospectus issued by the Company dated 30 September 2016 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (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 information has been extracted by the directors from the Group’s financial information for the three years ended 31 March 2016, on which an accountants’ report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 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' Responsibility

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2016 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, 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
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Chan Ching Pang
Practising Certificate Number: P05746
Hong Kong

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 27 September 2016. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless

the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors**(i) Appointment, retirement and removal**

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after dispatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) 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 uncalled capital of the Company and, subject to the Companies Law, to issue

debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, 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 and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) 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 is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 31 May 2016 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 28 June 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.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 31 May 2016. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 August 2016 and establishes a principal place of business in Hong Kong at Office B, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. Adrian Yeung & Cheng of Suite 1201-2A, 12th Floor, Golden Centre, 188 Des Voeux Road Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to our constitution, which comprises the Memorandum and the Articles. A summary of various provisions of our constitution and relevant aspects of the Companies Law is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation on 31 May 2016, our Company has an authorised share capital of 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 on 31 May 2016 2016, and was subsequently transferred to Pioneer Investment on the same day.
- (b) On 27 September 2016, our Company and Pioneer Investment entered into a share transfer agreement, pursuant to which our Company acquired the entire share capital of Chong Kin BVI from Pioneer Investment. In consideration of the above, 1 nil paid share held by Pioneer Investment will be credited as fully paid and 9,999 Shares, all credited as fully paid will be allotted and issued to Pioneer Investment.
- (c) On 27 September 2016, our sole Shareholder 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 of 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.
- (d) Assuming that the Share Offer becomes unconditional and the issue of the Shares pursuant to the Share Offer and the Capitalisation Issue mentioned herein are made but taking no account our Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 764,800,000 Shares will be issued fully paid or credited as fully paid, and 1,235,200,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further Information about our Company – 3. Written resolutions of our sole Shareholder passed on 27 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 sole Shareholder in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (f) Save as disclosed in sub-paragraph (c) above, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 27 September 2016

On 27 September 2016, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (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 Division granting listing of, and permission to deal in, the Shares in issue and our Shares to be issued as mentioned in this prospectus (including any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme) and on the obligations of the Underwriters under the Public Offer Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Public Offer Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the 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 exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares not exceeding 20% of the number of share capital of our Company in issue immediately following completion of the Share Offer and the

Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; 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 sole Shareholder 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 share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; 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 sole Shareholder in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the number of issued share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the issued share capital of our Company 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 share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

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

- (i) Pioneer Investment was incorporated in the BVI with limited liability on 20 May 2016 and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. 7 and 3 Shares of Pioneer Investment representing 70% and 30% of the entire issued share capital of Pioneer Investment were allotted and issued to Mr. Cheung and Mr. Chan respectively on 20 May 2016.
- (ii) Chong Kin BVI was incorporated on 25 May 2016 in the BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One share of Chong Kin BVI representing the entire issued share capital of Chong Kin BVI was allotted and issued to Pioneer Investment.
- (iii) Our Company was incorporated on 31 May 2016 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a nominal value of HK\$0.01 per share. One Share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, who then transferred the same to Pioneer Investment on the same day.
- (iv) Fung Sang was incorporated on 26 May 2016 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully paid ordinary share (representing the entire issued share capital of Fung Sang) was allotted and issued to Chong Kin BVI. After the aforesaid allotment and issue of shares, the entire issued share capital of Fung Sang was owned by Chong Kin BVI.
- (v) Trade Achiever was incorporated on 6 April 2016 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully paid ordinary share (representing the entire issued share capital of Trade Achiever) was allotted and issued to Chong Kin BVI. After the aforesaid allotment and issue of shares, the entire issued share capital of Trade Achiever was owned by Chong Kin BVI.
- (vi) Chong Fung was incorporated on 26 May 2016 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully paid ordinary share (representing the entire issued share capital of Chong Fung) was allotted and issued to Chong Kin BVI. After the aforesaid allotment and issue of shares, the entire issued share capital of Chong Fung was owned by Chong Kin BVI.
- (vii) Richway Investment was incorporated on 27 May 2016 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully paid ordinary share (representing the entire issued share capital of

Richway Investment) was allotted and issued to Chong Kin BVI. After the aforesaid allotment and issue of shares, the entire issued share capital of Richway Investment was owned by Chong Kin BVI.

(viii) On 7 June 2016, the following share transfers took place:

- (a) Pioneer Investment, through Fung Sang, acquired 7,000 ordinary shares in Kam Fung (representing 70% of its then entire issued share capital) from Mr. Cheung, and in consideration, Pioneer Investment allotted and issued 7 shares in Pioneer Investment, credited as fully paid, to Mr. Cheung; Pioneer Investment, through Fung Sang, acquired 3,000 ordinary shares in Kam Fung (representing 30% of its then entire issued share capital) from Mr. Chan, and in consideration, Pioneer Investment allotted and issued 3 shares in Pioneer Investment, credited as fully paid, to Mr. Chan;
- (b) Pioneer Investment, through Trade Achiever, acquired 70 ordinary shares in Sang Fu (representing 70% of its then entire issued share capital) from Mr. Cheung, and in consideration, Pioneer Investment allotted and issued 7 shares in Pioneer Investment, credited as fully paid, to Mr. Cheung; Pioneer Investment, through Trade Achiever, acquired 30 ordinary shares in Sang Fu (representing 30% of its then entire issued share capital) from Mr. Chan, and in consideration, Pioneer Investment allotted and issued 3 shares in Pioneer Investment, credited as fully paid, to Mr. Chan;
- (c) Pioneer Investment, through Chong Fung, acquired 70 ordinary shares in Global Sunny (representing 70% of its then entire issued share capital) from Mr. Cheung, and in consideration, Pioneer Investment allotted and issued 7 shares in Pioneer Investment, credited as fully paid, to Mr. Cheung; Pioneer Investment, through Chong Fung, acquired 30 ordinary shares in Global Sunny (representing 30% of its then entire issued share capital) from Mr. Chan, and in consideration, Pioneer Investment allotted and issued 3 shares in Pioneer Investment, credited as fully paid, to Mr. Chan; and
- (d) Pioneer Investment, through Richway Investment, acquired 70 ordinary shares in Richway Mechanical (representing 70% of its then entire issued share capital) from Mr. Cheung, and in consideration, Pioneer Investment allotted and issued 7 shares in Pioneer Investment, credited as fully paid, to Mr. Cheung; Pioneer Investment, through Richway Investment, acquired 30 ordinary shares in Richway Mechanical (representing 30% of its then entire issued share capital) from Mr. Chan, and in consideration, Pioneer Investment allotted and issued 3 shares in Pioneer Investment, credited as fully paid, to Mr. Chan.

After the aforesaid share transfers:

- (a) each of Kam Fung, Sang Fu, Global Sunny and Richway Mechanical became a wholly-owned subsidiary of Fung Sang, Trade Achiever, Chong Fung and Richway Investment, respectively;

- (b) each of Kam Fung, Sang Fu, Global Sunny and Richway Mechanical became an indirect wholly-owned subsidiary of Pioneer Investment and Chong Kin BVI; and
- (c) the total number of issued shares of Pioneer Investment was 50, of which 35 shares were owned by Mr. Cheung and 15 shares were owned by Mr. Chan.
- (ix) On 27 September 2016, our Company entered into a sale and purchase agreement with Pioneer Investment, pursuant to which our Company will acquire 1 share being the entire share capital of Chong Kin BVI from Pioneer Investment and as consideration for the acquisition, the 1 share of the Company was paid together with further 9,999 shares of the Company were issued and allotted and credited as fully paid to Pioneer Investment.
- (x) The aforesaid share transfer was completed on 27 September 2016, after which the Company held one share in Chong Kin BVI, being the entire issued share capital of Chong Kin BVI, and Chong Kin BVI will become a wholly-owned subsidiary of the Company.
- (xi) On 27 September 2016, the authorised share capital of our Company was increased 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 respect.

For further details of the reorganisation, please refer to the section headed “History and development” in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed “A. Further Information about our Company – 4. Corporate Reorganisation” in this appendix and in the section headed “History and Development” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the three years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities 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 up 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 of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our sole Shareholder on 27 September 2016, the Repurchase Mandate was granted 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 share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, 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 sole Shareholder in a general meeting.

(ii) *Source of Funds*

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on the 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 or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 764,800,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), our Directors would be authorised under the Repurchase Mandate to repurchase up to 76,480,000 Shares during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its sole Shareholder for our Directors to have a general authority from our sole Shareholder to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our sole Shareholder.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable law and regulations from time to 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 purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders'

interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No connected person 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 THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the three years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) an instrument of transfer dated 7 June 2016 and entered into between Mr. Cheung Yuk Kei and Fung Sang Investment Limited for the transfer of 7,000 ordinary shares in Kam Fung Engineering Limited from Mr. Cheung Yuk Kei to Fung Sang Investment Limited and in consideration for which 7 ordinary shares in Pioneer Investment Limited were allotted and issued to Mr. Cheung Yuk Kei;
- (b) bought and sold notes dated 7 June 2016 executed by Mr. Cheung Yuk Kei and Fung Sang Investment Limited for the transfer of 7,000 ordinary shares in Kam Fung Engineering Limited as referred to in paragraph (a) above;
- (c) an instrument of transfer dated 7 June 2016 and entered into between Mr. Chan Yiu Hung and Fung Sang Investment Limited for the transfer of 3,000 ordinary shares in Kam Fung Engineering Limited from Mr. Chan Yiu Hung to Fung Sang Investment Limited and in consideration for which 3 ordinary shares in Pioneer Investment Limited were allotted and issued to Mr. Chan Yiu Hung;
- (d) bought and sold notes dated 7 June 2016 executed by Mr. Chan Yiu Hung and Fung Sang Investment Limited for the transfer of 3,000 ordinary shares in Kam Fung Engineering Limited as referred to in paragraph (c) above;



- (e) an instrument of transfer dated 7 June 2016 and entered into between Mr. Cheung Yuk Kei and Trade Achiever Investments Limited for the transfer of 70 ordinary shares in Sang Fu Engineering Limited from Mr. Cheung Yuk Kei to Trade Achiever Investments Limited and in consideration for which 7 ordinary shares in Pioneer Investment Limited were allotted and issued to Mr. Cheung Yuk Kei;
- (f) bought and sold notes dated 7 June 2016 executed by Mr. Cheung Yuk Kei and Trade Achiever Investments Limited for the transfer of 70 ordinary shares in Sang Fu Engineering Limited as referred to in paragraph (e) above;
- (g) an instrument of transfer dated 7 June 2016 and entered into between Mr. Chan Yiu Hung and Trade Achiever Investments Limited for the transfer of 30 ordinary shares in Sang Fu Engineering Limited from Mr. Chan Yiu Hung to Trade Achiever Investments Limited and in consideration for which 3 ordinary shares in Pioneer Investment Limited were allotted and issued to Mr. Chan Yiu Hung;
- (h) bought and sold notes dated 7 June 2016 executed by Mr. Chan Yiu Hung and Trade Achiever Investments Limited for the transfer of 30 ordinary shares in Sang Fu Engineering Limited as referred to in paragraph (g) above;
- (i) an instrument of transfer dated 7 June 2016 and entered into between Mr. Cheung Yuk Kei and Chong Fung Investment Limited for the transfer of 70 ordinary shares in Global Sunny Engineering Limited from Mr. Cheung Yuk Kei to Chong Fung Investment Limited and in consideration for which 7 ordinary shares in Pioneer Investment Limited were allotted and issued to Mr. Cheung Yuk Kei;
- (j) bought and sold notes dated 7 June 2016 executed by Mr. Cheung Yuk Kei and Chong Fung Investment Limited for the transfer of 70 ordinary shares in Global Sunny Engineering Limited as referred to in paragraph (i) above;
- (k) an instrument of transfer dated 7 June 2016 and entered into between Mr. Chan Yiu Hung and Chong Fung Investment Limited for the transfer of 30 ordinary shares in Global Sunny Engineering Limited from Mr. Chan Yiu Hung to Chong Fung Investment Limited and in consideration for which 3 ordinary shares in Pioneer Investment Limited were allotted and issued to Mr. Chan Yiu Hung;
- (l) bought and sold notes dated 7 June 2016 executed by Mr. Chan Yiu Hung and Chong Fung Investment Limited for the transfer of 30 ordinary shares in Global Sunny Engineering Limited as referred to in paragraph (k) above;
- (m) an instrument of transfer dated 7 June 2016 and entered into between Mr. Cheung Yuk Kei and Richway Investment Limited for the transfer of 70 ordinary shares in Richway Mechanical Engineering Co., Limited from Mr. Cheung Yuk Kei to Richway Investment Limited and in consideration for which 7 ordinary shares in Pioneer Investment Limited were allotted and issued to Mr. Cheung Yuk Kei;

- (n) bought and sold notes dated 7 June 2016 executed by Mr. Cheung Yuk Kei and Richway Investment Limited for the transfer of 70 ordinary shares in Richway Mechanical Engineering Co., Limited as referred to in paragraph (m) above;
- (o) an instrument of transfer dated 7 June 2016 and entered into between Mr. Chan Yiu Hung and Richway Investment Limited for the transfer of 30 ordinary shares in Richway Mechanical Engineering Co., Limited from Mr. Chan Yiu Hung to Richway Investment Limited and in consideration for which 3 ordinary shares in Pioneer Investment Limited were allotted and issued to Mr. Chan Yiu Hung;
- (p) bought and sold notes dated 7 June 2016 executed by Mr. Chan Yiu Hung and Richway Investment Limited for the transfer of 30 ordinary shares in Richway Mechanical Engineering Co., Limited as referred to in paragraph (o) above;
- (q) a sale and purchase agreement dated 27 September 2016 entered into between Pioneer Investment Limited as vendor, our company as purchaser and Mr. Cheung Yuk Kei and Mr. Chan Yiu Hung as the warrantors, pursuant to which our Company acquired 1 ordinary share in Chong Kin Group Limited from Pioneer Investment Limited, and as consideration for which the 1 Share of the Company was paid together with further 9,999 Shares of the Company were allotted and issued to Pioneer Investment Limited;
- (r) an instrument of transfer dated 27 September 2016 and entered into between Pioneer Investment Limited and our Company for the transfer of 1 ordinary share in Chong Kin Group Limited from Pioneer Investment Limited to our Company as referred to in paragraph (q) above;
- (s) the Deed of Indemnity;
- (t) the Deed of Non-competition; and
- (u) the Public Offer Underwriting Agreement.

2. Intellectual Property Rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark	Trademark number	Class	Registration Date	Place of registration	Name of owner
	303757654	7, 37	14 April 2016	Hong Kong	Kam Fung
					

(b) Domain name(s)

As at the Latest Practicable Date, our Group is the owner of the following domain names which are material to the business of our Group:

Registered Owner	Domain Name	Registration Date	Expiry Date
Kam Fung	chongkin.com.hk	1 June 2016	23 June 2021
Global Sunny	globalsunny.com.hk	13 April 2010	13 April 2017

The contents of the website, registered or licensed, do not form part of this prospectus.

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) *Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations*

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue, but taking no account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the section headed “A. Further Information about our Company” in this appendix, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including 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 the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Cheung	Interests held jointly with other persons; Interest in controlled corporation <i>(Note 1)</i>	573,600,000	75%
Mr. Chan	Interests held jointly with other persons; Interest in controlled corporation <i>(Note 2)</i>	573,600,000	75%

Note:

1. These 573,600,000 Shares are held by Pioneer Investment. Mr. Cheung beneficially owns 70% of the entire issued share capital of Pioneer Investment. Therefore, Mr. Cheung is deemed, or taken to be, interested in all the Shares held by Pioneer Investment for the purposes of the SFO.
2. These 573,600,000 Shares are held by Pioneer Investment. Mr. Chan beneficially owns 30% of the entire issued share capital of Pioneer Investment.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held/ interested	Percentage of interest
Mr. Cheung	Pioneer Investment	Beneficial owner	35	70%
Mr. Chan	Pioneer Investment	Beneficial owner	15	30%

(b) Interests of substantial and other Shareholders in the Shares and Underlying Shares

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Pioneer Investment	Beneficial owner	573,600,000	75%
Ms. Au Yeung Kam Fa	Spouse interest ^(Note)	573,600,000	75%

Note: Ms. Au Yeung Kam Fa is the spouse of Mr. Cheung. Accordingly, Ms. Au Yeung and is deemed, or taken to be, interested in all 573,600,000 Shares in which Mr. Cheung is interested for the purposes of the SFO.

As at the Latest Practicable Date, Mr. Cheung and Mr. Chan were the registered equity interest holders of 70% and 30% interest in Kam Fung, Global Sunny, Sang Fu and Richway Mechanical, respectively.

2. Particulars of service contracts

None of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

The aggregate remuneration paid by our Group to our Directors for each of the three financial years ended 31 March 2014, 2015 and 2016 were approximately HK\$2.3 million, HK\$4.2 million and HK\$5.9 million.

4. Agency fees or commissions received

Save as disclosed in the paragraph headed “Underwriting arrangements and expenses – Commission and expenses and the Sponsor’s fee” in the section headed “Underwriting” of this prospectus and this appendix, none of our Directors or the experts named in the paragraph headed “E. Other Information – 7. Consents of experts” in this appendix had received any agency fee or commissions from our Group within the three years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 27 to the Accountants’ Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in the paragraph of the section headed “C. Further Information about Substantial Shareholders, Directors and Experts” of this Appendix:

- (a) taking no account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange in each case once the Shares are listed on the Main Board;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 27 September 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	27 September 2016, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder passed on 27 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 (fulltime and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

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, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer for the grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer for the grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(v) Maximum number of Shares

- (aa) Subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 76,480,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 76,480,000 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 obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) Our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Listing Rules.

- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the 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 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 close associates (or his associates if the grantee is a connected person) 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 a Director, chief executive or Substantial Shareholder, or any of their respective associates

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the option).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by

Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his associates and all core connected persons of our Company must abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options shall not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (i) the date of the Board meeting (such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly under the Listing Rules, or other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by 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 the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date when an offer for the grant is made of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by 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 of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to 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 (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee as near as the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and, or any persons controlled by the

offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the 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, lapsed and determined. The Board shall endeavour to procure that the 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 its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which 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), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of 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 our Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of 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 (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; (ii) the passing of the necessary resolution(s) to

approve and adopt the Share Option Scheme by the Shareholders in general meeting or by way of written resolution; and (iii) the commencement of dealing of Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for listing of and permission to deal in 76,480,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have, under a deed of indemnity referred to in item (i) of the sub-section headed “B. Further Information about the 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 taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional;
- (b) any liability for Hong Kong estate duty which is or hereafter become payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar 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;
- (c) 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;
- (d) any claims, actions, demands, proceedings, judgments, 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 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; and

- (e) 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.

Our Controlling Shareholders will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited 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 any members 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 headed “Business – Litigation and Potential Claims” in this prospectus, our Directors confirmed that as at the Latest Practicable Date, no member of our Group is subject to any litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group and no litigation or claim of material importance is pending or threatened by or 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 Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued as mentioned herein including any Shares to be issued upon the exercise of the options which may 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.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$33,540 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which are contained in this prospectus:

Name	Qualification
TC Capital International Limited	A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Chan Chung	Barrister-at-law of Hong Kong
CT Partners Consultants Limited	Internal Control Consultant
Euromonitor International Limited	Industry Research Consultant

7. Consents of experts

Each of TC Capital International Limited, HLB Hodgson Impey Cheng Limited, Appleby, Mr. Chan Chung, CT Partners Consultants Limited and Euromonitor International Limited has given and has not withdrawn its/his written consents to the issue of this prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. No material adverse change

Save for the expenses expected to be incurred in connection with the Listing, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 31 March 2016 (being the date to which the latest audited financial statements of our Group were made up) and up to the date of this prospectus, and there is no event since 31 March 2016 which would materially affect the information shown in our combined financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

11. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the 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 the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Particulars of Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	Pioneer Investment Limited (創業投資有限公司)
Registered address:	Jayla Place, Wickhams Cay 1 Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	77,800,000
Business nature	Investment holding company

13. Miscellaneous

- (a) Save as disclosed in the paragraph of the section headed “A. Further Information about our Company” and the section headed “C. Further Information about Substantial Shareholders, Directors and Experts”:
- (i) within the three years immediately preceding the date of this prospectus:
- (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
- (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
- (dd) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
- (ee) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (b) 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;

- (c) none of TC Capital International Limited, HLB Hodgson Impey Cheng Limited, Appleby, Chan Chung, CT Partners Consultants Limited and Euromonitor International Limited:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including our Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (d) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (f) our Group has no outstanding convertible debt securities.
- (g) the English text of this prospectus shall prevail over the Chinese text.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES 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 headed “E. other information – 7. Consents of experts” in Appendix IV to this prospectus; (c) copies of the material contracts referred to in the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in Appendix IV to this prospectus; and (d) the statements of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Adrian Yeung & Cheng at Suite 1201-2A, 12th Floor, Golden Centre, No.188 Des Voeux Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report of our Group dated the date of this prospectus prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Company as have been prepared for the companies comprising our Group for each of the three financial years ended 31 March 2016;
- (d) the report on unaudited pro forma financial information prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred to in the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the rules of the Share Option Scheme;
- (g) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE FOR INSPECTION**

- (j) the letter of advice prepared by the Legal Counsel dated the date of this prospectus;
- (k) the report on internal control review prepared by CT Partners in relation to the internal control system of the Group; and
- (l) a statement of particulars of the Selling Shareholder.

CHONG KIN GROUP HOLDINGS LIMITED
創建集團(控股)有限公司