

上諭集團控股有限公司 SHEUNG YUE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1633

Share Offer

Sole Sponsor



Sole Bookrunner



Joint Lead Managers



IMPORTANT

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

SHEUNG YUE GROUP HOLDINGS LIMITED

上諭集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Shares	:	165,000,000 Shares comprising 115,000,000 New Shares and 50,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	16,500,000 Shares (subject to adjustment)
Number of Placing Shares	:	148,500,000 Shares comprising 98,500,000 New Shares and 50,000,000 Sale Shares (subject to adjustment and the Over-allotment Option)
Offer Price	:	not more than HK\$1.00 and expected to be not less than HK\$0.80 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	1633

Sole Sponsor



Sole Bookrunner



Joint Lead Managers



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

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

The Offer Price is expected to be determined by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Bookrunner (for itself and on behalf of the Underwriters) but in any event no later than Wednesday, 9 November 2016. The Offer Price will be not more than HK\$1.00 per Offer Share and is expected to be not less than HK\$0.80 per Offer Share, unless otherwise announced.

The Sole Bookrunner 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 The Standard (in English) and Hong Kong Economic Journal (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 the website of our Company at www.simonandsons.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 Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before Wednesday, 9 November 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 the risk factors set out in the section headed "Risk factors" in this prospectus. Pursuant to the Public Offer Underwriting Agreement, the Sole Bookrunner has the right in certain circumstances to terminate the obligations of the Public Offer Underwriter 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 – Public Offer – Grounds for termination" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

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

Latest time to complete electronic applications
under the **HK eIPO White Form** service through the
designated website at www.hkeipo.hk⁽²⁾ 11:30 a.m. on
Thursday, 3 November 2016

Application lists open⁽³⁾ 11:45 a.m. on
Thursday, 3 November 2016

Latest time for lodging **WHITE** and **YELLOW** Application
Forms and giving **electronic application instructions** to
HKSCC⁽⁴⁾ 12:00 noon on
Thursday, 3 November 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
Thursday, 3 November 2016

Application lists close⁽³⁾ 12:00 noon on
Thursday, 3 November 2016

Expected Price Determination Date⁽⁵⁾ Friday, 4 November 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
on the website of Stock Exchange at
www.hkexnews.hk and our Company at
www.simonandsons.com.hk⁽⁶⁾ on or before Thursday, 10 November 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 website of the Stock Exchange
at **www.hkexnews.hk** and our Company at
www.simonandsons.com.hk as described in the section
headed "How to apply for the Public Offer Shares –
11. Publication of results" in this prospectus on or before Thursday, 10 November 2016

Results of allocations in the Public Offer to
be available at **www.tricor.com.hk/ipo/result** with
a "search by ID" function from Thursday, 10 November 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 Thursday, 10 November 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 Thursday, 10 November 2016

Dealings in Shares on the Main Board to commence at 9:00 a.m. on
Friday, 11 November 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” in this prospectus.
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 Thursday, 3 November 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” in this prospectus. If the application lists do not open and close on Thursday, 3 November 2016, the dates mentioned in this section “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” in this prospectus.
5. The Price Determination Date is expected to be on or around Friday, 4 November 2016 and, in any event, not later than Wednesday, 9 November 2016. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) by Wednesday, 9 November 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.

EXPECTED TIMETABLE⁽¹⁾

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 Friday, 11 November 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 – Public Offer – Grounds for termination” in this prospectus 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.
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 between 9:00 a.m. to 1:00 p.m. on Thursday, 10 November 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 despatched by ordinary post, at the applicants’ own risk, to the addresses specified on the relevant applications. Further information is set out in the sections 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 allotted 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) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

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

You should rely only on the information contained in this prospectus 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 Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

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SUMMARY AND HIGHLIGHTS

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

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

OUR BUSINESS

We provide foundation services in Hong Kong and Macau. We have over 46 years of experience in undertaking foundation works in Hong Kong since 1970. We are registered as a specialist contractor in the categories of foundation works and site formation works with the Buildings Department and are registered on the Approved Specialist List in the category of land piling (Group II) maintained by WBDB. We are also admitted onto the Housing Authority’s list of piling contractors in the “percussive piling” category.

Our foundation works are principally undertaken by Simon & Sons, our key operating subsidiary. The scope of foundation works undertaken by us mainly includes piling construction (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services). We carry out foundation works either as a main contractor or a subcontractor, depending on our customers’ requirements, project nature, our assessment on profitability, project pipeline and availability of internal resources.

Our Group principally provides foundation services to both private sector, which are mostly building related projects, and the public sector, comprising building and infrastructure related projects. Private sector projects of our Group mainly consist of projects commissioned by privately-owned property developers, construction companies and charitable organisations, and public sector projects of our Group mainly consist of projects commissioned by the Government (including the Architectural Services Department, Highways Department and Housing Authority) and a railway operator in Hong Kong. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our Group generated approximately 88.9%, 66.8%, 62.2% and 48.4% of our revenue from the private sector projects, respectively, with the remaining revenue of approximately 11.1%, 33.2%, 37.8%, 51.6% from the public sector projects, respectively. Our foundation projects are non-recurring in nature. We secure our projects after a competitive tendering process. Our pricing is determined based on estimated costs plus a mark-up determined on a project-by-project basis.

During the Track Record Period and up to the Latest Practicable Date, we completed 24 foundation projects with a total contract sum of approximately HK\$1,126 million, which consisted of 19 Hong Kong-based projects and five Macau-based projects. As at the Latest Practicable Date, we had 18 projects on hand (including contracts in progress as well as contracts awarded to us but not yet commenced) with a total awarded contract sum of approximately HK\$623.7 million, of which approximately HK\$212.7 million has been recognised during the Track Record period and approximately HK\$404.5 million is expected to be recognised as revenue for the year ending 31 March 2017. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Further details of our projects on hand are set out in the section headed “Business – Our business model and our projects – Our projects – Projects on hand” in this prospectus.

It is our Group’s strategy to focus our business in Hong Kong going forward.

SUMMARY AND HIGHLIGHTS

Our project backlog

Set out below is the table showing the number of our foundation contracts completed and awarded to us and the aggregate contract sum during the Track Record Period and as at the Latest Practicable Date:

	Number of contracts	Contract sum (Note) HK\$'000
As at 1 April 2013		
Existing contracts	9	604,561
During the financial year ended 31 March 2014		
Contracts completed	6	159,919
New contracts awarded	6	<u>113,944</u>
As at 31 March 2014		
Existing contracts	9	558,586
During the financial year ended 31 March 2015		
Contracts completed	12	560,988
New contracts awarded	8	<u>325,905</u>
As at 31 March 2015		
Existing contracts	5	323,503
During the financial year ended 31 March 2016		
Contracts completed	4	73,148
New contracts awarded	7	<u>332,905</u>
As at 31 March 2016		
Existing contracts	8	583,260
During the four months ended 31 July 2016		
Contracts completed	2	332,170
New contracts awarded	9	306,569
As at 31 July 2016		
Existing contracts	15	557,659
For the period between 1 August 2016 and before the Latest Practicable Date		
Contracts completed	0	0
New contracts awarded	3	<u>66,002</u>
As at the Latest Practicable Date		
Existing contracts	18	623,661

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

Our top ten projects by revenue during the Track Record Period accounted for approximately 84.6% of our total revenue recognised during the Track Record Period. For details on our projects and contracts, please refer to section headed “Business – Our business model and our projects” in this prospectus.

SUMMARY AND HIGHLIGHTS

Customers

During the Track Record Period, our private sector customers primarily include privately-owned property developers, construction companies and charity organisations whereas our public sector customers primarily include different departments of the Government (such as Architectural Services Department, Highways Department, Housing Authority and Environmental Protection Department) and a railway operator in Hong Kong. For the three years ended 31 March 2016 and the four months ended 31 July 2016, the percentage of our total revenue attributable to our largest customer amounted to approximately 50.0%, 19.0%, 40.4% and 36.5%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 92.1%, 68.8%, 92.1% and 91.1%, respectively. Among our five largest customers during the Track Record Period, we have been providing services to them for a period ranging from one to 41 years. Please refer to the section headed “Business – Customers” in this prospectus for further details.

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

	For the year ended			For the	From
	2014	31 March 2015	2016	four months ended 31 July 2016	1 August 2016 to the Latest Practicable Date
Number of tenders submitted	27	24	29	20	17
Number of tenders won	6	8	7	9	3
Success rate (%) ^(Note)	22.2	33.3	24.1	45.0	17.6

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

Suppliers and subcontractors

During the Track Record Period, our suppliers mainly include suppliers of steel piles and other metal materials. Construction materials costs incurred for our largest supplier (excluding our subcontractors) accounted for approximately 54.9%, 73.9%, 53.1% and 44.9% of our total construction materials costs, respectively, for each of the three years ended 31 March 2016 and the four months ended 31 July 2016, and construction materials costs incurred for our five largest suppliers (excluding our subcontractors) for each of the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 96.0%, 95.6%, 96.4%, and 98.6% of our total construction materials costs, respectively. We generally order the relevant construction materials 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 our total construction material costs) during the Track Record Period, we have developed business relationship with them for a period ranging from one year to 20 years.

Subject to our capacity, resources level, cost effectiveness, complexity of the projects and customers’ requirements, we may subcontract our works such as piling works, drilling work and site formation works to other subcontractors in a project. Subcontracting charges attributable to our largest subcontractor for each of the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 19.1%, 39.7%, 50.0% and 64.7% of our total subcontracting charges, respectively, while our five largest subcontractors for each of the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 58.4%, 88.2%, 88.9% and 87.9% of our total subcontracting charges, respectively. Among our five largest subcontractors (in terms of subcontracting charges incurred) during the Track Record Period, we have developed business relationship with them for a period ranging from two years to 12 years.

SUMMARY AND HIGHLIGHTS

COMPETITIVE LANDSCAPE

According to the Ipsos Report, the foundation industry in Hong Kong is fairly consolidated with the top five players which accounted for approximately 48.3% of the total industry revenue in 2015. As of January 2016, there were 138 registered contractors under the Buildings Department as the Specialist Contractors (Sub-register of Foundation Works Category), and 40 registered contractors under the Development Bureau as the Specialist Contractors for Public Works under the land piling category. Furthermore, there were 14 registered contractors in the large diameter bored piling category and 9 registered contractors in the percussive piling category of the Housing Authority, respectively. In 2015, the top five foundation contractors contributed approximately HK\$10.9 billion to the total revenue of the foundation industry in Hong Kong. According to the Ipsos Report, in 2015, our Group as a main contractor had a market share of approximately 1.2% (or HK\$281.4 million) in terms of the total revenue generated from the overall foundation industry in Hong Kong. During the same period, our Group as a subcontractor had a market share of approximately 0.8% (or HK\$182.9 million) in terms of the total revenue generated from overall foundation industry in Hong Kong.

COMPETITIVE STRENGTHS

We believe our well-established presence and proven track record in the foundation industry in Hong Kong, experienced and professional management team and long-term and stable relationship with our major customers, suppliers and subcontractors contribute to our success and differentiate us from our competitors in the Hong Kong foundation industry. Details of our competitive strengths are set out in the section headed “Business – Competitive strengths” in this prospectus.

We possess our own machinery equipment suited to carry out various types of foundation projects. Our major types of machinery and equipment for our foundation projects comprise pile drivers, crawler cranes, drilling rigs, hydraulic hammers, air compressors, generators, excavators and preboring plants, with remaining useful life of approximately 0.6 year, 0.2 years, 0 year, 3.1 years, 1.1 years, 3.0 years, 0.9 year, 3.5 years, respectively. Our Directors confirm that all of our machinery and equipment, which were in serviceable operating condition in general, were substantially deployed to various construction sites for our projects and none of our machinery and equipment were left idle as at the Latest Practicable Date. Although our machinery are in serviceable condition, we consider that it is imperative to upgrade our fleet of piling machinery and strengthen our execution efficiency by replacing aged machinery with upgraded models. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details.

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to further strengthen our market position as an established foundation contractor in the foundation industry in Hong Kong and to create long-term Shareholder’s value. We intend to achieve our business objective by expanding our market share and competing for more foundation projects, upgrading our fleet of machinery and equipment, further strengthening our manpower and adherence to prudent financial management to ensure sustainable growth and capital sufficiency. Details of our business strategies are set out in the sections headed “Business – Business strategies” and “Future plans and use of proceeds” in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

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

SUMMARY AND HIGHLIGHTS

Revenue

The following table sets forth our revenue generated from Hong Kong and Macau projects during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July	
	2014		2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	147,391	31.8	120,022	83.9	463,347	99.8	116,789	100.0
Macau	316,708	68.2	23,060	16.1	956	0.2	–	–
	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

The following table sets forth our revenue generated from private and public sector projects during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July	
	2014		2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector projects	412,538	88.9	95,524	66.8	288,810	62.2	56,512	48.4
Public sector projects	51,561	11.1	47,558	33.2	175,493	37.8	60,277	51.6
	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

The following table sets forth our Group's turnover by our role as main contractor or subcontractor during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July	
	2014		2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	78,082	16.8	34,601	24.2	281,438	60.6	55,570	47.6
Subcontractor	386,017	83.2	108,481	75.8	182,865	39.4	61,219	52.4
	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

Set out below is the breakdown of such contracts based on their respective revenue recognised during the Track Record Period:

	As at 31 March			As at
	2014	2015	2016	31 July
	Number of projects	Number of projects	Number of projects	Number of projects
Revenue recognised				
HK\$100,000,000 or above	1	–	2	–
HK\$50,000,000 to below HK\$100,000,000	2	–	1	–
HK\$10,000,000 to below HK\$50,000,000	4	4	3	3
HK\$1,000,000 to below HK\$10,000,000	4	13	4	6
Below HK\$1,000,000	5	13	7	3
	<u>16</u>	<u>30</u>	<u>17</u>	<u>12</u>

SUMMARY AND HIGHLIGHTS

Significant decrease in our revenue for the year ended 31 March 2015 (“FY2015”)

Our revenue decreased significantly by approximately HK\$321.0 million from approximately HK\$464.1 million for the year ended 31 March 2014 (“FY2014”) to approximately HK\$143.1 million in FY2015, representing a decrease of approximately 69.2%. The aforesaid decrease was mainly attributable to:

- (i) Project 1, Project 2, Project 4, Project 6, Project 7, and Project M1, which commenced during the year ended 31 March 2013, were in full swing and completed in FY2014;
- (ii) Project 11, Project 12, Project M2, Project V1, Project V2 and Project V3, which commenced in FY2014 and completed in FY2015;
- (iii) a decrease in number of relatively larger scale and higher income projects as a result of the completion of our two sizable luxury hotel resort foundation projects in Macau and one sizable foundation project in Hong Kong, namely Project M1, Project M2 and Project 11;
- (iv) the fact that after completion of our two sizable luxury hotel resort construction projects in Macau, namely Project M1 and Project M2, we were not awarded any new sizeable foundation project in Macau. The new projects awarded, namely Project M3, Project M4, Project M5 and Project M6, were in relatively small scale; and
- (v) delay in commencement of piling works from March 2015 to September 2015 for our sizable Liantang/Heung Yuen Wai Boundary Control Point foundation project, namely Project 23.

For further details about the significant decrease in our revenue for the year ended 31 March 2015, please refer to the section headed “Financial Information – Period to period comparison of results of operations”.

Cost of services

Our most significant costs of services are subcontracting charges, construction material costs, and staff costs. During the Track Record Period, the subcontracting charges accounted for approximately 38.5%, 54.7%, 42.3% and 48.8% of our total cost of services, respectively; and during the same period, the construction materials costs accounted for approximately 41.7%, 12.5%, 29.8% and 16.5% of our total costs of services, respectively. The proportion of subcontracting charges and construction materials costs in cost of services depends on, among other factors, the nature, design, and requirements of our projects which vary from project to project. Our Group engages subcontractors for parts of the works or a specific process of the works of our contract, such as piling works, drilling works and site formation works. Construction materials costs mainly represent direct costs for the purchase of H-piles, sheet piles and other construction materials that are directly attributed to foundation works. Staff costs represent the salaries and other benefits provided for our workers.

For further details about our cost of services, please refer to the section headed “Financial Information – Cost of services”.

SUMMARY AND HIGHLIGHTS

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin in providing foundation works and ancillary services during the Track Record Period:

	2014		Year ended 31 March 2015		2016		Four months ended 31 July 2016	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Foundation works and ancillary services	<u>77,050</u>	16.6	<u>21,859</u>	15.3	<u>73,637</u>	15.9	<u>21,861</u>	18.7

The following table sets forth breakdown of our gross profit and gross profit margin by our role as main contractor and subcontractor during the Track Record Period:

	2014		As at 31 March 2015		2016		As at 31 July 2016	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Main contractor	5,476	7.0	5,558	16.1	40,380	14.4	7,590	13.7
Subcontractor	<u>71,574</u>	18.5	<u>16,301</u>	15.0	<u>33,257</u>	18.2	<u>14,271</u>	23.3
Total	<u>77,050</u>	16.6	<u>21,859</u>	15.3	<u>73,637</u>	15.9	<u>21,861</u>	18.7

The following table sets forth breakdown of our gross profit and gross profit margin by customer segments during the Track Record Period:

	2014		As at 31 March 2015		2016		As at 31 July 2016	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Private sector	67,687	16.4	18,326	19.2	40,540	14.0	7,770	13.7
Public sector	<u>9,363</u>	18.2	<u>3,533</u>	7.4	<u>33,097</u>	18.9	<u>14,091</u>	23.4
Total	<u>77,050</u>	16.6	<u>21,859</u>	15.3	<u>73,637</u>	15.9	<u>21,861</u>	18.7

Highlights of combined statements of Comprehensive income

	Year ended 31 March			Four months ended 31 July 2016
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Revenue	464,099	143,082	464,303	116,789
Gross Profit	77,050	21,859	73,637	21,861
Total comprehensive income for the year	43,750	10,935	39,948	13,167

SUMMARY AND HIGHLIGHTS

Highlights of combined statements of financial information

	As at 31 March			As at
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	31 July 2016 HK\$'000
Non-current assets	60,472	50,452	56,302	57,103
Current assets	172,364	187,800	201,055	175,877
Current liabilities	78,958	81,591	59,252	102,233
Net current assets	93,406	106,209	141,803	73,644
Net assets	138,258	149,193	189,141	122,308

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

Highlights of combined statements of cash flow

	For the year ended 31 March			For the
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	four months ended 31 July 2016 HK\$'000
Net cash generated from operating activities	53,424	15,064	52,403	25,403
Net cash used in investing activities	(22,970)	(11,983)	(10,644)	(5,685)
Net cash generated from/(used in) financing activities	9,148	(12,184)	(33,450)	(22,611)
Net increase/(decrease) in cash and cash equivalents	39,602	(9,103)	8,309	(2,893)
Cash and cash equivalents at the beginning of the year	13,714	53,345	44,426	52,722
Effect of exchange rate changes on cash and cash equivalents	29	184	(13)	243
Cash and cash equivalents at the end of the year	<u>53,345</u>	<u>44,426</u>	<u>52,722</u>	<u>50,072</u>

Key Financial Ratios

Key Financial Ratios	Formulae	As at/for the year ended 31 March			As at/for the
		2014	2015	2016	four months ended 31 July 2016
Net profit margin	Net profit/revenue x 100%	9.4%	7.8%	8.6%	11.1%
Return on assets	Net profit/total assets x 100%	18.8%	4.7%	15.5%	N/A (Note 2)
Return on equity	Net profit/total equity x 100%	31.6%	7.5%	21.1%	N/A (Note 2)
Gearing ratio	Total debt/total equity (Note 1)	39.1%	28.7%	5.3%	6.3%
Current ratio	Current assets/current liabilities	2.2 times	2.3 times	3.4 times	1.7 times
Quick ratio	(Current assets – inventories)/current liabilities	2.2 times	2.3 times	3.4 times	1.7 times
Interest coverage	Profit before interest and tax/finance costs	22.2 times	12.8 times	61.2 times	47.6 times

Notes:

- Total debt includes amounts due to related parties, amount due to a director, borrowings and finance lease payables.
- Calculation of return on assets and return on equity is on full year basis.

SUMMARY AND HIGHLIGHTS

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

SHAREHOLDER INFORMATION

Immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon exercise of the Over-allotment Option and any options as may be granted under the Share Option Scheme), Creative Elite will control 75% of the issued share capital of our Company. Creative Elite is an investment holding company owned as to 45% by Mr. Gary Chan, 28% by Mr. Edmond Chan, 18% by Ms. Amanda Chan and 9% by Ms. Chrissy Chan. For the purpose of the Listing Rules, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite are our Controlling Shareholders. Please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus for further details.

Pursuant to a deed of confirmation dated 6 June 2016 (the “Deed”), Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan have agreed, confirmed and ratified that since they became interested in and possessed voting rights in Simon & Sons and during the Track Record Period up to the date of the Deed, they, whether by themselves or via any corporate vehicles, have been cooperating and acting in concert (for purpose of the Takeovers Code) with one another in respect of all material management matters, voting decision and/or business decision relating to our Group. Please refer to the section headed “History and development – Our corporate history – Concert party arrangement” in this prospectus for further details. In view of the concert party arrangement stated above, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite are regarded as a group of Controlling Shareholders for purpose of the Listing Rules.

THE SHARE OFFER AND OFFER STATISTICS

The Share Offer comprises the Public Offer of 16,500,000 Shares initially offered in Hong Kong, and the Placing of 148,500,000 Shares comprising 98,500,000 New Shares and 50,000,000 Sale Shares (subject, in each case, to the Over-allotment Option and reallocation on the basis as described in the section headed “Structure and conditions of the Share Offer” in this prospectus).

	Based on the Offer Price of HK\$0.80 per Share	Based on the Offer Price of HK\$1.00 per Share
Market capitalisation of our Shares (<i>Note 1</i>)	HK\$528 million	HK\$660 million
Unaudited pro forma adjusted combined net tangible assets of our Group per Share (<i>Note 2</i>)	0.32	0.35

Notes:

1. The calculation of the market capitalisation of our Shares is based on 660,000,000 Shares in issue immediately after completion of the Share Offer but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, 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 AND HIGHLIGHTS

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer in respect of New Shares, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.9 per Share (being the mid-point of the indicative Offer Price range of HK\$0.8 and HK\$1.0), will be approximately HK\$88.1 million. Our Directors presently intend to apply such net proceeds as follows:

Approximate amount of net proceeds	Utilised by year ending	Intended applications
HK\$62 million or approximate 70.4%	31 March 2019	Purchase pile drivers, hydraulic hammers, crawler cranes and preboring rigs for machinery upgrade
HK\$18 million or approximate 20.4%	31 March 2019	Take out surety bond for contracts that we have tendered for and/or contracts we plan to bid for
HK\$6.7 million or approximate 7.6%	31 March 2019	Recruit management personnel including one project director and one project manager and enhance internal training to support future growth
HK\$1.4 million or approximate 1.6%	31 March 2017	General working capital

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

The aggregate net proceeds the Selling Shareholder will receive from the sale of Sale Shares, after deducting related underwriting fees and estimated expenses to be borne by the Selling Shareholder, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.9 per Share (being the mid-point of the indicative Offer Price range of HK\$0.8 and HK\$1.0), will be approximately HK\$38.3 million.

REASONS FOR THE LISTING

Our Directors believe that the Listing will greatly benefit our Group, including without limitation, for the following reasons:

- (i) Enhance corporate profile and credibility to compete with our Group’s major competitors in the foundation industry;
- (ii) Expand market share by facilitating the implementation of our business strategies;
- (iii) Provide access to capital market for secondary funding raising for future business development; and
- (iv) Diversify our shareholder base and enhance the liquidity in trading of Shares.

For details on our reasons for the Listing, please refer to the section headed “Future plans and use of proceeds- Reasons for the Listing”.

FINANCE LEASE

Our Directors believe that it is not in the interest of our Company and our Shareholders to finance our purchase of additional machinery and equipment through finance lease. Finance lease usually involves provision of personal guarantee to be given by our Controlling Shareholder and Directors to secure our Group’s payment obligations thereunder. In particular, our Company was informed by one of our principal bankers that if our Company is not listed, any finance lease will be granted only on the condition, among other things, that the personal guarantee given by Mr. Simon Chan (our honorary chairman and non-executive Director (aged 83) who is not a shareholder of our Company) would be necessary as security for the finance lease to be granted by the said principal banker. Our Directors consider that it would not be in the interest of our Group to finance the purchase of machinery and equipment by relying on finance lease on the terms that involve personal guarantee or any collateral provided by the Controlling Shareholders and their associates for the following reasons:

SUMMARY AND HIGHLIGHTS

- (i) it is our long-term strategy to minimise connected transactions and related party transactions in order to carry out our business independently from our Controlling Shareholders, Directors and their associates;
- (ii) continuous reliance on our Controlling Shareholders, Directors and their associates for provision of personal guarantee and other form of financial assistance is a hindrance to our Group in achieving financial independence; and
- (iii) our Directors take the view that continuous guarantee to be provided by Mr. Simon Chan (our honorary chairman and non-executive Director) as required by a principal bank is too burdensome to Mr. Simon Chan considering his advanced age and the fact that he did not participate in the day-to-day management of our Group's business operations.

For details on our reasons for not financing our purchase of additional machinery and equipment through finance leases, please refer to the section headed "Future plans and use of proceeds - Reasons for the Listing".

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and assuming the Offer Price of HK\$0.9 per Offer Share, being the mid-point of the indicative Offer Price range, the total amount of Listing expenses and commissions in connection with the Share Offer is estimated to be approximately HK\$22.0 million of which approximately HK\$15.3 million will be borne by our Company and approximately HK\$6.7 million will be borne by the Selling Shareholder.

The portion of Listing expenses borne by the Selling Shareholder in connection with the Sale Shares of approximately HK\$2.5 million will be set-off against the Listing expenses of our Company. The portion of Listing expenses of approximately HK\$4.2 million reimbursed by the Selling Shareholder in its capacity of a Shareholder will be accounted for as capital contribution to our Company.

Of the aggregate Listing expenses of HK\$22.0 million, approximately HK\$5.7 million directly attributable to the issue of New Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$16.3 million, approximately HK\$2.5 million will be borne by the Selling Shareholder as stated above and approximately HK\$13.8 million will be charged to our profit or loss. Listing expenses of approximately HK\$9.0 million were charged to the profit or loss for the year ended 31 March 2016 and the four months ended 31 July 2016 and the remaining amount of approximately HK\$4.8 million will be charged to the profit or loss for the year ending 31 March 2017. Expenses in relation to the Listing are non-recurring in nature.

DIVIDEND

For each of three years ended 31 March 2016, we did not declare any dividend to our shareholders. Our Group declared and paid an interim dividend of HK\$40.0 million in May 2016, and declared further dividend of HK\$40.0 million in June 2016 which has been paid in October 2016. The distribution of the above interim and further dividends will lead to a decrease in our Group's net assets by approximately HK\$80.0 million. Part of the interim dividend amounting to HK\$19.8 million was settled by way of offsetting against the net outstanding amounts due from directors who are also the Controlling Shareholders, and the remaining interim dividend amounting to HK\$20.2 million was paid in cash on 31 May 2016 from our Group's internal resources. Our Directors confirm that the further dividend of HK\$40.0 million has been paid in cash from our Group's internal resources. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no guarantee that dividends will be paid in the future.

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As at 31 July 2016, our Company has no reserves available for distribution to our Shareholders.

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 foundation business and risks relating to our industry. 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 revenue relies on successful tenders of foundation projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers
- We need to maintain qualifications and registrations for the operation of our business
- We make estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses
- Our performance depends on trends and development in the foundation industry, market conditions and the general economic and political conditions in Hong Kong

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the date of this prospectus, we have continued to focus on developing our business of undertaking foundation works in Hong Kong. As at the date of this prospectus, we had 18 projects on hand (including contracts in progress as well as contracts awarded to us but not yet commenced). Please refer to the section headed “Business – Our business model and our projects – Our projects – Projects on hand” in this prospectus for further details.

The aggregate contract sum of all contracts on hand is approximately HK\$623.7 million and approximately HK\$212.7 million of revenue has been recognised during the Track Record Period. As at the date of this prospectus, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. We expect to recognise revenue of approximately HK\$404.5 million for the year ending 31 March 2017 based only on our contracts on hand. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects.

Subsequent to the Track Record Period and up to the date of this prospectus, we have been awarded with three additional contracts with an aggregate contract sum of approximately HK\$66.0 million. Our Directors consider that our Group is well-positioned to take on new foundation projects and believe that the expected increase in demand for residential and commercial buildings as well as public infrastructure projects would favour the growth of our Group and the demand of our services.

According to the Ipsos Report, a slowdown has shown in Hong Kong’s property market recently. According to the Land Registry, the total number of sale and purchase agreements for building units in January 2016 decreased by around 41.0% as compared with December 2015 and decreased by around 62.4% as compared with January 2015. In addition, according to Rating and Valuation Department, the price index of private residential building by all classes has been in decline since July 2015, at 304.1, falling to 285.2 in December 2015. During the same period, the price index of overall private office dropped from 457.0 to 450.1. Apart from the fallen residential transaction and price index, the total floor area of completion of overall private office is expected to decrease by 22.4% from 219,000 m² in 2015 to 170,000 m² in 2016 and the

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completion of private residential building (large units) is expected to decrease by 41.6% from 3,100 units in 2015 to 1,810 units in 2016. However, with the Government's supporting policy on increasing private housing supply as well as land for private housing use, the demand for building construction works as well as foundation and site formation work in Hong Kong may not be impacted. Please also refer to the section headed "Industry overview – Competitive landscape – Opportunities in Hong Kong's foundation industry" and "Industry overview – Competitive landscape – Threats to Hong Kong's foundation industry" in this prospectus for further details on the opportunities of and threats to the foundation industry in Hong Kong. With reference to our Group's revenue during the Track Record Period and expected to be recognised from, and the number of tenders we have submitted up to the Latest Practicable Date for, the foundation projects relating to residential properties and non-residential properties, the business and operation of our Group did not and will not have a sole reliance on foundation works relating to residential properties. 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 construction market in Hong Kong as a whole, which would have a material and adverse impact on our business operations or financial condition since 31 July 2016 and up to the Latest Practicable Date.

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

MATERIAL ADVERSE CHANGE

In view of the remaining amount of the Listing expenses and commissions in connection with the Share Offer of approximately HK\$9.5 million to be charged to the profit or loss accounts of our Company for the year ending 31 March 2017 (assuming the Over-allotment Option is not exercised and the Offer Price of HK\$0.9 per Share, being the mid-point of the indicative offer price range of HK\$0.8 and HK\$1.0), our Directors believe the impact of the Listing expenses on the profit and loss accounts will not materially affect the financial position of our Group for the year ending 31 March 2017. Prospective investors should be aware of the impact of the Listing expenses on the financial performance of our Group for the year ending 31 March 2017.

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

LITIGATION AND POTENTIAL CLAIMS

Our Directors confirmed that to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, (i) we were subject to two ongoing employees' compensation claims; (ii) we were not subject to any personal injury claim; and (iii) our Group recorded 17 workplace accidents that occurred during the Track Record Period and up to the Latest Practicable Date. Save for the two ongoing employees' compensation claims, the injured persons have not yet filed any claims or commenced legal proceedings against our Group and such workplace accidents may give rise to potential employees' compensation or personal injury claims. Please refer to the section headed "Business – Litigation and potential claims" in this prospectus for further details.

DEFINITIONS

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

“Accountant’s Report”	the accountant’s report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus
“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“Architectural Services Department”	the Architectural Services Department of the Government
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on 24 October 2016 and as amended, supplemented or otherwise modified 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 Building Authority of the Government
“Building Management Ordinance”	the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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 544,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and general information” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	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
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended and supplemented from time to time
“Company”, or “our”, “our Company”, “we” or “us”	Sheung Yue Group Holdings Limited (上諭集團控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules

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“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 Creative Elite, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Creative Elite”	Creative Elite Global Limited, a company incorporated in the BVI with limited liability on 28 January 2016 and our Controlling Shareholder, which is owned as to 45%, 28%, 18% and 9% by Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, respectively
“Deed of Indemnity”	a deed of indemnity dated 24 October 2016 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), particular of which are set out in the section headed “Statutory and general information – (E) Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a non-competition deed dated 24 October 2016 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section headed “Relationship with the Controlling Shareholders – Non-competition undertaking” in this prospectus
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company
“DSSOPT”	the Land, Public Works and Transport Bureau of Macau
“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

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“Environmental Protection Department”	the Environmental Protection Department of the Government
“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
“Favourable Year”	Favourable Year Limited (利年有限公司), a company incorporated in the BVI with limited liability on 3 March 2016 and a direct 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
“Giga-tech”	Giga-tech Rock Drilling Limited (朗輝鑽岩設備有限公司), a company incorporated in Hong Kong on 1 August 2006 with limited liability and owned as to 50% by Good Idea and 50% by an independent third party, and was accounted as a joint venture
“Good Idea”	Good Idea Technology Limited (創意佳科技有限公司), a company incorporated in Hong Kong on 30 June 2006 with limited liability and owned as to 50% by Simon & Sons and 50% by Mr. Gary Chan, our executive Director, and is a connected 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, designed by our Company
“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

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“ HK eIPO White Form ”	the application for the Public Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS”	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 “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hong Kong Construction Association”	the Hong Kong Construction Association Limited, a voluntary association of construction companies in Hong Kong and was incorporated in 1930 with the goal of improving the operation of the construction industry 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
“Ipsos”	Ipsos Limited, an industry research consultant and is an independent third party
“Ipsos Report”	the industry research report prepared by Ipsos on the foundation and site formation industry in Hong Kong and Macau issued in June 2016 and commissioned by us
“Joint Lead Managers”	C.P. Securities International Limited and Dakin Securities Limited
“Labour Department”	Labour Department of the Government
“Latest Practicable Date”	24 October 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus

DEFINITIONS

“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 committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 11 November 2016, on which dealings in the Shares first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Government”	the Government of Macau
“Main Board”	the Main Board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on 24 October 2016 and as amended, supplemented or otherwise modified from time to time
“MPF scheme”	mandatory provident fund scheme
“Mr. Edmond Chan”	Mr. Chan Lap Chuen Edmond (陳立銓先生), our chief executive officer, executive Director and one of our Controlling Shareholders
“Mr. Gary Chan”	Mr. Chan Lap Wai Gary (陳立緯先生), our chairman, executive Director and one of our Controlling Shareholders
“Mr. Simon Chan”	Mr. Chan Sau Man Simon (陳秀民先生), our honorary chairman and non-executive Director
“Ms. Amanda Chan”	Ms. Chan Chin Ying Amanda (陳千瑩女士), our executive Director and one of our Controlling Shareholders
“Ms. Chrissy Chan”	Ms. Chan Chin Ling Chrissy (陳千靈女士), one of our Controlling Shareholders
“New Champion”	New Champion Development Limited (勝新發展有限公司), a company incorporated in Hong Kong on 3 June 2010 and owned as to 50% by Simon & Sons and 50% by Mr. Gary Chan, our executive Director, and is a connected subsidiary of our Company

DEFINITIONS

“New Shares”	115,000,000 new Shares being offered for subscription at the Offer Price under the Share Offer
“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
“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 24,750,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover over-allocations in the Placing as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares together with, where relevant, any additional Shares issued pursuant to the exercise of the Over-allotment Option
“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 148,500,000 Shares (comprising 98,500,000 New Shares initially offered by our Company for subscription and 50,000,000 Sale Shares being initially offered by the Selling Shareholder for purchase) at the Offer Price under the Placing together with, where relevant, any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing

DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into on or about 4 November 2016 by, among others, our Company, the Selling Shareholder and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau 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 Sole Bookrunner (for itself and on behalf of the other Underwriters) and us (for ourselves 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 or around 4 November 2016 on which the Price Determination Agreement is entered into but in any event no later than 9 November 2016
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 16,500,000 New Shares initially being offered for subscription 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 Underwriters”	the underwriters of the Public Offer
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 28 October 2016 relating to the Public Offer entered into between our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus

DEFINITIONS

“Rainbow Republic”	Rainbow Republic Limited (虹邦有限公司), a company incorporated in the BVI with limited liability on 16 December 2015 and an indirect wholly-owned subsidiary of our Company
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing particulars of which are summarised in the section headed “History and development – Reorganisation” in this prospectus
“Sale Shares”	50,000,000 existing Shares to be offered by the Selling Shareholder for purchase at the Offer Price under the Placing
“Selling Shareholder”	Creative Elite, one of the Controlling Shareholders which is expected to offer to sell the Sale Shares pursuant to the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on the Main Board
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 24 October 2016, the principal terms of which are summarised in the section headed “Statutory and general information – (D) Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Simon & Sons”	Simon & Sons Engineering Limited (均成陳氏工程有限公司), a company incorporated in Hong Kong on 31 October 1986 with limited liability and an indirect wholly-owned subsidiary of our Company
“Simon & Sons (Macau)”	Simon & Sons Engineering (Macau) Limited (also known as Simon & Sons Engenharia Civil (Macau) Limitada), a company incorporated in Macau on 19 April 2002 with limited liability and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Sole Bookrunner”	C.P. Securities International Limited
“Sole Sponsor” or “Dakin” or “Dakin Capital”	Dakin Capital Limited, a licensed corporation for carrying on Type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sole sponsor of the Listing and an independent third party
“Stabilising Manager”	C.P. Securities International Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Creative Elite and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 24,750,000 Shares to cover any over-allocations in the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules and details of our substantial shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong, as amended, modified and supplemented from time to time
“Track Record Period”	comprises the three financial years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016
“Underwriters”	the Public Offer Underwriter(s) and the Placing Underwriter(s), details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US”	United States of America
“U.S. Securities Act”	the United States Securities Act of 1993 (as amended from time to time)
“Vanbo Engineering”	Vanbo Engineering Limited (均寶工程有限公司)(formerly known as Grandmont Company Limited (禾寶有限公司)), a company incorporated in Hong Kong on 18 February 1993 with limited liability and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“WBDB”	the Works Branch Development Bureau (發展局工務科) of the Government, or where the context refers to any time prior to its establishment, the relevant predecessor government secretaries or department which undertook such public function
“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 meter
“mm”	millimeter
“MOP”	Macau Pataca, the lawful currency of Macau
“sq.ft.”	square foot
“sq. m.” or “m ² ”	square metre(s)
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	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.

“Approved Specialist List”	List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
“Authorised Signatory(ies)”	the appointed person(s) to act for a registered contractor for the purpose of the Buildings Ordinance
“BEAM” or “BEAM Plus”	an acronym for Building Environmental Assessment Method which is a green building assessment system to measure, improve and label the environmental performance of buildings
“driven H-pile”	a type of friction pile deriving the load bearing capacity from the friction between the pile and earth
“ELS”	excavation and lateral support
“HKCAS”	the Hong Kong Certification Body Accreditation Scheme
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management system model published by ISO for quality assurance in design, development, production, installation and servicing
“ISO 14001”	environmental management system requirements published by ISO
“ISO 50001”	energy management system requirements published by ISO
“large-diameter bored pile”	a type of pile which is greater than 1.2 m in diameter and is usually installed by machine boring to the required level with concrete filling the bored hole subsequently
“loading test”	a method to assess and ascertain the constructed piles’ depth, quality and ground bearing capacity in order to (i) ascertain the performance of the foundation under load; (ii) establish or justify the design parameters; and (iii) verify the structural integrity of the foundation units

GLOSSARY OF TECHNICAL TERMS

“main contractor”	in respect of a construction project, a contractor appointed by the project employer who generally oversees the progress of the entire construction project and delegates different work tasks of the construction to other contractors
“mini-pile”	a type of pile which consists of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400 mm in diameter
“NRMM”	non-road mobile machinery
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“percussive steel H-pile” or “percussive H-pile”	a type of pile formed by driving to the required depth by direct or indirect hammering or other percussive means
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from the structure above to the pile or group of piles
“piling”	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
“pipe pile”	a type of pile designed to use circular steel tubes or pipes to provide intermittent vertical support and are installed before excavation commence
“precast prestressed concrete piles”	a type of pile which is constructed using steel rods or wires under tension enclosed in a conventional spiral. These piles are prestressed to relatively stiff stratum with sufficient embedded length in residual soil or decomposed rock. They are used to develop the high bearing capacity and minimise the amount of long-term settlement

GLOSSARY OF TECHNICAL TERMS

“rock-socketed steel H-pile” or “socketed H-pile”	a type of pile in which a steel H-section is installed within a pre-bored hole formed into the bedrock and then grouted with cement grout
“schedule of rates”	a set of general regulations and special conditions governing the execution of work and payment for works performed
“sheet pile”	a type of pile of thin interlocking steel sheet which is commonly used as retaining wall or cofferdam to enable subsequent temporary or permanent works, such as excavation for basement or pile caps construction. Sheet piles have the advantages of light weight, easy handling, reusable, easy to adapt to required length (by welding or bolting) and easy installation (by driving or vibrating to required depth)
“SOPL”	Security of Payment Legislation for the Construction Industry, details of which are set out in the section headed “Laws and regulations – Hong Kong Laws – D. Other” in this prospectus
“subcontractor”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
“Technical Director”	in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance
“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.

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

RISK FACTORS

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

RISKS RELATING TO OUR FOUNDATION BUSINESS

Our revenue relies on successful tenders of foundation projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers

During the Track Record Period and up to the Latest Practicable Date, substantially all of our revenue was derived from foundation projects in Hong Kong and Macau which were awarded to us on successful tenders. Our future growth and success will depend on our ability to continue to secure tender and contract awards. In addition, our business is contract-based and on a non-recurring basis. We do not have long-term commitment with our customers and our customers may vary from year to year.

During the Track Record Period and up to the Latest Practicable Date, we secured our foundation projects through competitive tender process. There is no guarantee that our current customers will in the future continue to involve us in their tendering process or award us with new contracts, or that we will be able to seek new customers. As at the Latest Practicable Date, we had 18 projects on hand. Upon completion of our contracts on hand, our financial performance may be adversely affected if our Group is unable to secure new tenders or obtain new contract awards with comparable contract sums or at all. Accordingly, our historical financial results during the Track Record Period should not be taken as an indication of our future performance. Prospective investors should be aware of the risk of our Group failing to secure new contracts when considering our Group's future prospects. Besides, if any of our major 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 cashflow 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.

We need to maintain qualifications and registrations for the operation of our business

We are required to maintain operating qualifications and registrations to conduct our business. Please refer to the section headed "Business – Licences and permits" in this prospectus for further details. To maintain such qualifications and registrations, we must comply with the restrictions and conditions imposed by various Government departments. For instance, contractors registered with WBDB are subject to a regulatory regime which is put in place to ensure contractors' standards of financial capability, expertise, management and safety. Please see the section headed "Laws and regulations" in this prospectus for additional information.

RISK FACTORS

Further, the standards of compliance required may from time to time be subject to changes without substantial advance notice. We cannot assure that all the required qualifications and registrations can be maintained or renewed in a timely manner or at all. If we fail to comply with any of these restrictions or conditions, our qualifications and registrations could be temporarily suspended or even revoked, or the renewal of our qualifications and registrations upon expiry of their original terms may be delayed or refused. In such event, our capability to undertake relevant works may be directly impacted, and our revenue and profits may be adversely affected.

We make estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses

Our ability to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account factors including the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with potential customers and prevailing market conditions. In the event that we fail to accurately estimate the project costs or if there is any unforeseen factor leading to any increase in cost, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project.

Furthermore, to provide for certain unforeseen circumstances which are beyond the control of our Group, our contracts may include a clause providing for an “extension of time”, which enables us to extend the completion date subject to the parties’ agreement. Our Group may be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers, calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete.

Although our Group had not experienced any cost overrun or undertaken loss-making projects of a material nature during the Track Record Period, there is no assurance that we will not encounter cost overruns or delays on our current and future projects and our customers may not agree to extend the completion date. If such cost overruns or delays occur, we may experience increase in costs exceeding our budget or be required to pay liquidated damages, hence reducing or diminishing profits that may be generated from our contracts, and may result in material adverse impact on our operation and financial performance.

We are exposed to our customers’ credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full

Our Group’s foundation contracts normally require our customers to make progress payments on a monthly basis. Once our Group has submitted a monthly bill, the consultant or architect appointed by our customer will certify the amount of work done. The credit period granting our customers generally ranges from 0 to 60 days from the date of the consultant/architect’s certification or the date of invoice. Our trade receivables were approximately HK\$8.0 million, HK\$9.4 million, HK\$18.8 million and HK\$8.7 million as at 31 March 2014, 2015, 2016 and 31 July 2016, respectively. There is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

RISK FACTORS

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

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our revenue generated from public sector projects was approximately 11.1%, 33.2%, 37.8% and 51.6% of our total revenue, respectively. The delay in commencement of public sector projects may adversely affect the demand for our foundation services and our results of operation. Delay in the commencement of public projects may be caused by, among other things, political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents or entities. Any large-scale protests or occupation activity may also delay the construction works to be carried out in the affected areas. Our engagement in public sector projects depends on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where filibustering by the members thereof has often led to delays in the passing of public works funding proposals in recent years.

Given that the work schedule of our public sector projects could impact on our revenue recognised each year, there is a risk that after we are awarded the tender for a public sector project, there may be delay in the commencement date, 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.

Our income from machinery leasing is non-recurring in nature and may fluctuate going forward

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our rental income generated from the lease of machinery amounted to approximately HK\$6.4 million, HK\$7.1 million, HK\$2.5 million and HK\$0.2 million, representing approximately 1.4%, 5.0%, 0.5% and 0.2% of our total revenue, respectively. During the Track Record Period, we leased our machinery to customers if the machinery was not 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 foundation 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. Therefore, our income from machinery leasing is non-recurring in nature. We do not have long-term commitment with our customers of machinery leasing. As such, there is no assurance that we will always be able to maintain similar levels of income derived from machinery leasing as those during the Track Record Period.

RISK FACTORS

We rely on the service of our Authorised Signatory(ies) and Technical Director(s) for our Group's registrations maintained with the Buildings Department

We maintained certain registrations with the Buildings Department. In order to maintain such registrations, Simon & Sons must have at least one Authorised Signatory to act for it for the purpose of the Buildings Ordinance and one Technical Director to carry out certain duties. Set out below are the Technical Directors and the Authorised Signatories of Simon & Sons for purposes of the Buildings Ordinance:

Qualification	Technical Director(s)	Authorised Signatory(ies)
Simon & Sons		
Registered specialist contractor in foundation works category	Mr. Gary Chan Mr. Cheung Ka Ngai	Mr. Gary Chan Mr. Chen Tai Ping
Registered specialist contractor in site formation category	Mr. Cheung Ka Ngai	Mr. Chen Tai Ping
General building contractor	Mr. Gary Chan	Mr. Gary Chan

The Building Authority imposes certain requirements on the qualifications and experience of the Authorised Signatory and Technical Director. For details of our Group's major registrations and qualification for our services, please refer to the section headed "Business – Licences and permits" in this prospectus.

Departure or disqualification of the Authorised Signatory(ies) or Technical Director(s) may result in suspension of our Group's registrations maintained with the Buildings Department if no replacement is identified and applied for. In the event that any of the Authorised Signatories or Technical Directors leaves our Group, our Group may not be able to identify and recruit staff with adequate qualifications and experience eligible to become the Authorised Signatory or Technical Director in a timely manner, thereby potentially resulting in suspension of our Group's registrations maintained with the Buildings Department.

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

Given that our foundation business is contract-based and on non-recurring basis, and our revenue and profit margin in respect of the relevant foundation projects depend on price of our tender and unexpected obstacles of our foundation works, such as the increase in length of contract period and costs of the foundation works as well as the sub-soil condition of the relevant construction sites, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period.

RISK FACTORS

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our revenue amounted to approximately HK\$464.1 million, HK\$143.1 million, HK\$464.3 million and HK\$116.8 million, respectively; our gross profit amounted to approximately HK\$77.1 million, HK\$21.9 million, HK\$73.6 million and HK\$21.9 million, respectively (representing gross profit margin of approximately 16.6%, 15.3%, 15.9% and 18.7%, respectively); while our net profit amounted to approximately HK\$43.7 million, HK\$11.2 million, HK\$40.0 million and 12.9 million, respectively (representing net profit margin of approximately 9.4%, 7.8%, 8.6% and 11.1%, 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 foundation works may fluctuate from project to project due to factors such as the type of construction techniques, 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.

Increases in construction material costs and substandard construction materials may have an adverse impact on our financial results

Steel piles are our construction materials. Other materials include concrete, steel bar, diesel and other metal materials. For the three years ended 31 March 2016 and the four months ended 31 July 2016, the costs of construction materials amounted to approximately HK\$161.3 million, HK\$15.1 million, HK\$116.4 million and 15.6 million, respectively, representing approximately 41.7%, 12.5%, 29.8% and 16.5% of our total cost of services.

There is no guarantee that the quality of construction materials supplied to our Group meets our required standards for reasons which are beyond our control, and we may be forced to replace these construction materials from other suppliers at additional costs or be subject to time delay. Furthermore, we cannot guarantee that the cost of construction materials will be stable. If we are unable to factor in these potential fluctuations into each of our tenders or quotations and pass on a part or whole of any additional costs to our customers or reduce other costs, our financial results and position may be materially and negatively affected.

RISK FACTORS

We are exposed to certain inherent risks relating to foundation works

Prior to commencement of our piling construction and ancillary works, ground investigation may be conducted or our customers may supply us with ground investigation report. However, information contained in these reports may not be sufficient to reveal the actual geology beneath our construction site due to limitation in the scope of the underground investigation works that can be carried out at the site or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or identify any antiquities, monuments, structure beneath the site, artificial underground obstruction, bomb, contaminated soil, presence of unknown obstacles due to historical use of site, existing methane gas generated during construction, collapse of temporary structure, land subsidence, which may not have been anticipated at the preliminary stage. Such difficult or dangerous conditions at the underground level or at the works site may make our foundation works difficult, affect our work progress, incur higher project expenses and result in personal injuries or even fatality of our site workers. Furthermore, services utilities, such as fresh and flush water mains, low or high voltage electric cables, optical fibre telephone lines, cable television fibre and high pressure gas mains, are laid underground in Hong Kong. There is no assurance that damage to those utilities will not occur during our piling works. Accordingly, we may be liable to the costs for the repair of such damaged services utilities. In the event that we have committed to a fixed sum or rate contract and that no adjustment to the contract sum could be agreed with our customers, or that such damages are uninsured, we may have to bear such increased expenses ourselves and our profitability would be adversely affected.

We depend on our key management personnel

Our success and growth depend 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 are important to us. Please refer to the section headed “Directors, senior management and employees” in this prospectus for further information. If any of these executive Directors cease to be involved in the management of our Group in the future and our Group is unable to find suitable replacements in a timely manner, there could be an adverse impact on the business, results of operation and profitability of our Group.

We place heavy reliance on the use of machinery

Our capacity to carry out our foundation business depends on the availability of our machinery, which mainly consists of crawler cranes, pile drivers, drilling rigs, hydraulic hammers, air compressors, generators, excavators and preboring plants.

RISK FACTORS

Accordingly, the number of foundation works projects that can be undertaken by our Group simultaneously at any given time is limited by our resources including the capacity of our machinery to carry out foundation works. There is no assurance that our machinery will not be damaged or lost as a result of, among other things, improper operation, accidents, fire, adverse weather conditions, theft or robbery. Furthermore, machinery may break down or fail to function normally due to wear and tear or mechanical or other issues. If there is unexpected breakdown or damage of our machinery during the construction process of projects, repair of machinery takes time and (if repair is not feasible) we may face difficulties in sourcing replacements within a short time. Our work progress may be delayed which may result in liquidated damages being payable by us.

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation was gazetted on 23 January 2015 and came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery. On 8 February 2015, the Works Branch of Development Bureau issued the Technical Circular, pursuant to which the Government has promulgated an implementation plan to phase out progressively the use of exempted NRMM for four types of exempted NRMM, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public works, including design and build contracts, with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015. For details of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation and the Technical Circular, please refer to the paragraph headed “Regulatory overview – Hong Kong laws – C. 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 approximately 70 machines 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 and fall into the category of exempted NRMM specified in the Technical Circular. Of the 70 exempted machines, there are 16 crawler cranes, 28 generators, 19 air compressors and 7 excavators subject to the phase out plan as detailed in the Technical Circular in new capital works contracts for public works. The Technical Circular aims to require the relevant departments of the Government to include specific terms of limiting the quantity of exempted NRMMs to certain percentage in the contract made with the main contractors in the construction industry. We may be required to incur substantial cost to upgrade our fleet of machinery in view of the requirements under the Technical Circular and we cannot guarantee that the Government will not extend the scope or interpretation of the Technical Circular or issue other similar administrative tools which will cause any potential impact to our business operation, and if such situation occurs, our business, financial position, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

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 or monies retained from subcontractors, our financial position may be adversely affected.

Our insurance may not fully cover all the potential losses arising from our business

For projects where our Group acts as the main contractor, we take out employees’ compensation insurance and contractors’ all risks insurance which cover our Group’s and our subcontractors’ employees and works performed by us or them. Similarly, where we undertake the role of subcontractor in a project, we are covered by the employees’ compensation insurance and contractors’ all risks insurance taken out by the project’s main contractor. For details, please refer to the section headed “Business – Insurance” in this prospectus.

Nonetheless, there is no assurance that all potential losses and expenses incurred from damages or liabilities in relation to our business can be fully covered by insurance. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

RISK FACTORS

Contractual disputes may arise from variation orders requested by our customers

In the course of project implementation, our customers may give “variation orders” to us and request us to alter the scope of works or perform additional works on top of the scope of the original construction contracts. The terms of these “variation orders” are agreed between our Group and the surveyor authorised by our customers in accordance with, among other things, any additional work carried out which is the same as or similar in character to (and executed under the same or similar conditions and circumstances 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. If our Group disagrees on the rates fixed by such surveyor, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

We rely on subcontractors to help complete our projects

In line with the usual practice of the foundation industry in Hong Kong, we engage third party subcontractors to perform a portion of the works under our contracts. Our total subcontracting costs accounted for approximately 38.5%, 54.7%, 42.3% and 48.8%, respectively, of our total cost of services for the three years ended 31 March 2016 and the four months ended 31 July 2016.

Other than any significant increase in the subcontracting costs that may impact on our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors, or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors’ employees. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims.

In addition, pursuant to the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor is/are jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, if such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may be adversely affected if any of our subcontractors violates its obligations to pay its employees.

RISK FACTORS

In addition, retention monies are generally required by our customers to secure our Group's due performance of the contracts. The amount of retention money, which depends on negotiation with our customers, represents 5.0% or 10.0% of the value of the works done, subject to a maximum rate of 2.5% or 5.0% of the total original contract sum. The terms and conditions on release of retention money also vary from contract to contract, which may be subject to completion of contract works or a pre-agreed time period after completion of the contract works. As at 31 July 2016, the aggregate retention money held by our customers for contracted works included in our retention receivables amounted to approximately 29.0 million. If our customers experience financial distress or are unable to settle their payments due to us or release the retention monies to us in a timely manner or at all, our liquidity and the financial condition of our Group could be adversely affected.

We may be unable to implement our business strategies effectively

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies, including but not limited to continuing to expand our scope of services, competing for more foundation projects, improving our margins and profitability, as well as capturing the growing foundation works from both private and public sectors.

Our ability to implement our business strategies depends on, among other things, the general economic conditions in Hong Kong, our ability to continue to maintain close relationships with our key customers, the increasing spending by the Government on public works projects, the current growth prospects for private development projects, the availability of management, financial, technical, operational and other resources, and competition. In the event that we are unable to implement these strategies, each of which is subject to factors beyond our control, we may not be able to grow at a rate comparable to our growth in the past, or at all. Consequently, if we fail to effectively implement our business strategies, our business, financial position and results of operations may be materially and adversely affected.

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

In May 2016, our Group declared and paid an interim dividend of HK\$40.0 million. A dividend of HK\$40.0 million was further declared in June 2016 and was paid in October 2016. Any dividend declared by us will have to be approved by our Board and the amount of any dividend will depend on various factors, including, our operating results, financial condition, future prospects and other factors which our Board may deem important. Accordingly, our historical dividends are not indicative of our future dividend distribution policy. Potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. Please see the section headed "Financial information – Dividend policy" in this prospectus for further details of our dividend policy.

RISK FACTORS

We occasionally carry out foundation projects or have business operations in Macau, and such business is subject to economic, political and regulatory risks in Macau

Our Group had five foundation projects in Macau during the Track Record Period with a total revenue recognised of approximately HK\$340.8 million. Although we do not actively seek for new opportunities in Macau, we may participate in Macau's foundation industry in the future when suitable opportunities arise. Conducting business in Macau involves certain risks not typically associated with operations in Hong Kong. They include risks relating to changes in Macau's political, economic and social conditions, Macau Government policies, Macau laws or regulations or their interpretation, in regulatory requirements in relation to subcontracting foundation works, exchange control regulations, interest rate and rates or method of taxation. Our Group's operations in Macau are also exposed to the risk of changes in laws and policies that govern companies that operate in Macau, specifically foundation contractors and subcontractors carrying out works in Macau. In addition, the legal and judicial system adopted in Macau is substantially different from that in Hong Kong. Rights and protection generally expected under Hong Kong laws for companies in Hong Kong may not exist in Macau.

RISKS RELATING TO OUR INDUSTRY

Our performance depends on trends and developments in the foundation industry

Our operations are principally located in Hong Kong during the Track Record Period (except for a portion of revenue which arose from five foundation projects in Macau out of total 24 completed foundation projects). The future growth and level of profitability of the foundation industry in Hong Kong depend on the market conditions, the general conditions and prospects of Hong Kong's economy. If there is any recurrence of recession in Hong Kong, our operations and profitability could be adversely affected. In addition, any change in the existing political environment in Hong Kong may bring about instability of its economy, thereby adversely affects the construction industry in which we operate.

Our performance depends on market conditions and the general economic and political conditions in Hong Kong

The future growth and level of profitability of the foundation industry in Hong Kong depend primarily upon the continued availability of construction projects. The availability of construction projects from the public sector or private sector will be determined by the interplay of a variety of factors. These factors include the Government's spending patterns on the construction industry in Hong Kong and its land supply and public housing policy, the approval of the relevant budgets and plans on construction projects by the Legislative Council of Hong Kong, the investment of property developers. If there is any changes in Hong Kong's land supply and public housing policy, the demand for foundation works in Hong Kong may deteriorate and our operations and profitability could be adversely affected.

RISK FACTORS

We operate in a relatively competitive environment

The foundation industry in Hong Kong has many participants and is competitive. As of January 2016, there were 138 registered contractors under the Buildings Department as the Specialist Contractors (Sub-register of Foundation Works Category), and 40 registered contractors under the Development Bureau as the Specialist Contractors for Public Works under the land piling category. Furthermore, there were 14 registered contractors in the large diameter bored piling category and 9 registered contractors in the percussive piling category of the Housing Authority, respectively. Some of the major market players may have significantly more resources and are better positioned than our Group, including but not limited to having a long operating history, better financing capabilities and well developed, technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, industry experience, necessary machinery, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

Shortage of labour may affect our projects and our performance

There is no assurance that the supply of labour and average labour costs will be stable. If there is a significant increase in the costs of labour and we have to retain our labour (or our subcontractors have to retain their labour) by increasing their wages, our staff cost or subcontracting cost (as the case may be) will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our or their existing labour or recruit sufficient labour in a timely manner, we may not be able to complete our projects on schedule and may be subject to liquidated damages and incur losses.

Industrial actions or strikes may affect our business

Typical foundation works are divided into various disciplines, and each requires highly specialised labour. Industrial action of any one discipline may disrupt the progress of our foundation works. 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 the profitability and results of our operation.

Our operations may be affected by adverse weather conditions and are subject to other construction risks

Our business operations are mostly conducted outdoors and are vulnerable to adverse weather conditions. If adverse weather conditions persist or natural disaster occurs, we may be prevented from performing works at our sites, and thereby fail to meet specified time schedule. If we have to halt operations during inclement weather or natural disaster, we may continue to incur operating expenses even while we experience reduced revenues and profitability.

RISK FACTORS

Furthermore, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, Middle East respiratory syndrome, severe acute respiratory syndrome and Zika virus disease), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers, subcontractors and employers.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

Investors will experience immediate dilution

As the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to approximately HK\$0.32 per Share and approximately HK\$0.35 per Share, based on the Offer Price of HK\$0.8 per Share and HK\$1.0 per Share, respectively.

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 or the sustainability of an active public market following completion of the Share Offer. Factors such as variations in our Group's turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the raw materials of our Group, the liquidity of the market for the Shares, the general market sentiment regarding the foundation 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.

RISK FACTORS

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 our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by Creative Elite or any party who becomes a controlling shareholder or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

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

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

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 a substantial number of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

RISKS RELATING TO THIS PROSPECTUS

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

Certain facts, statistics, and data presented in the section headed "Industry overview" and elsewhere in this prospectus relating to the industry in which we operate have been derived from information and statistics set forth in this section have been extracted from the Ipsos Report. Our Company believes that the sources of the information are appropriate sources for such information, and our Directors and the Sole Sponsor have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor, nor any parties involved in the Share Offer have

RISK FACTORS

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 headed "Forward-looking statements" in this prospectus.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

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

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters.

RESTRICTIONS ON SALE OF THE OFFER SHARES

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

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and 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 the Hong Kong Branch Share Registrar. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Codan Trust Company (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Selling Shareholder, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, 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 the 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 the 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.

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”.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

STOCK BORROWING ARRANGEMENT

Details of the stock borrowing arrangement are set out in the section headed “Structure and conditions of the Share Offer – Stock Borrowing Agreement” in this prospectus.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

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

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 11 November 2016. The Shares will be traded in board lots of 3,000 Shares each. The stock code of the Shares will be 1633.

ROUNDING

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table between totals and sum of amounts listed therein are due to rounding.

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
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Executive Directors

Mr. Chan Lap Wai Gary (陳立緯先生)	7/F, Tropicana Court 45 South Bay Close Hong Kong	Chinese
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Mr. Chan Lap Chuen Edmond (陳立銓先生)	2/F, 41A (Lot 986A DD 165) Tseng Tau Tsuen, Sai Kung New Territories Hong Kong	Chinese
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Ms. Chan Chin Ying Amanda (陳千瑩女士)	Flat B, 1/F, Block C2 1 Town Centre Crescent Hong Lok Yuen Tai Po New Territories Hong Kong	Chinese
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Non-executive Director

Mr. Chan Sau Man Simon (陳秀民先生)	House O, Evergreen Garden 18 Ma Lok Path, Kau To Shan Shatin New Territories Hong Kong	Chinese
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Independent Non-executive Directors

Mr. Li Hon Hung, <i>MH, JP</i> (李漢雄先生)	Flat B, G/F Kimon Court 6 Verbena Road Yau Yat Chuen Kowloon Hong Kong	Chinese
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Mr. Siu Miu Man (蕭妙文先生)	Flat A, 7/F Tower 1, Parc Oasis Tat Chee Avenue Kowloon Tong Kowloon Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential address	Nationality
Mr. Cheng Chi Hung (鄭志洪先生)	14/F Hung Fook Building 358 Lockhart Road Wan Chai Hong Kong	Chinese

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

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Dakin Capital Limited

Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong
(A licensed corporation carrying on Type 6 (advising on corporate finance) regulated activity under the SFO)

Underwriters and Joint Lead Managers

C.P. Securities International Limited

Room 2707, 27/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong
(A licensed corporation carrying on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO)

Dakin Securities Limited

Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong
(A licensed corporation carrying on Type 1 (dealing in securities) and Type 2 (dealing in future contracts) regulated activities under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Sole Bookrunner

C.P. Securities International Limited

Room 2707, 27/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong
*(A licensed corporation carrying on Type 1
(dealing in securities), Type 4 (advising on securities)
and Type 9 (asset management) regulated activities
under the SFO)*

Legal adviser to our Company

D. S. Cheung & Co.

Solicitors, Hong Kong
29/F., Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman

Cayman Islands attorneys-at-laws
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to Macau law

Rato Ling Lei & Cortés

Advogados, Macau
Avenida Da Amizade
Macau Landmark
Office Tower, 23rd Floor
Macau

**Legal adviser to the Sole Sponsor, the
Sole Bookrunner, the Joint Lead
Managers and the Underwriters**

As to Hong Kong law

Loeb & Loeb LLP

Solicitors, Hong Kong
21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

Reporting accountant

BDO Limited

Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Receiving bank

The Bank of East Asia, Limited

10 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 103-105, 1/F New East Ocean Centre 9 Science Museum Road Tsimshatsui East Kowloon Hong Kong
Company Secretary	Mr. Lui Shun Wa Alexander (<i>CPA</i>) Room 1512, Block J, Kornhill 31-33 Hong Yue Street Quarry Bay Hong Kong
Compliance adviser	Dakin Capital Limited Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong <i>(A licensed corporation carrying on Type 6 (advising on corporate finance) regulated activity under the SFO)</i>
Authorised Representatives	Mr. Chan Lap Wai Gary 7/F, Tropicana Court 45 South Bay Close Hong Kong Mr. Lui Shun Wa Alexander Room 1512, Block J, Kornhill 31-33 Hong Yue Street Quarry Bay Hong Kong
Members of Audit Committee	Mr. Cheng Chi Hung (<i>Chairperson</i>) Mr. Li Hon Hung, <i>MH, JP</i> Mr. Siu Miu Man

CORPORATE INFORMATION

Members of Remuneration Committee	Mr. Siu Miu Man (<i>Chairperson</i>) Mr. Li Hon Hung, <i>MH, JP</i> Mr. Cheng Chi Hung
Members of Nomination Committee	Mr. Li Hon Hung, <i>MH, JP</i> (<i>Chairperson</i>) Mr. Siu Miu Man Mr. Cheng Chi Hung
Cayman Islands Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 21/F, Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong Kowloon Hong Kong Hang Seng Bank Limited 19/F, 83 Des Voeux Road Central Hong Kong Dah Sing Bank Limited Dah Sing Financial Centre 108 Gloucester Road Hong Kong
Company's website	www.simonandsons.com.hk (<i>The information on this website does not form part of this prospectus</i>)

INDUSTRY OVERVIEW

This section contains information and statistics which are extracted from the Ipsos Report. We believe that the sources of the information are appropriate sources for such information. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by us and the Selling Shareholder, neither we, the Selling Shareholder, the Sole Sponsor, the Underwriters, their respective affiliates, directors or advisers, nor any party involved in the Share Offer have independently verified such information and statistics directly or indirectly derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled by other parties.

REPORT CONDUCTED BY IPSOS

We commissioned Ipsos to conduct an analysis of, and to report principally on, the foundation industry in Hong Kong for the period from 2011 to 2020. The information and analysis contained in the Ipsos Report was assessed independently by Ipsos, including all its subsidiaries, divisions and units, is not connected to our Group in any way. Ipsos charged us a total fee of HK\$468,000 for the preparation and the use of the Ipsos Report.

Ipsos is an independent market research and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world which employs approximately 16,000 personnel worldwide across 87 countries.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering such as: (i) desk research; (ii) consultation with our Company to understand the background information about the business of our Group; and (iii) primary research by interviewing key stakeholders and industry experts including but not limited to companies engaged in civil engineering works, government officials and related associations. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, information gathered can be cross-referenced to ensure accuracy. 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 Ipsos Report.

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

INDUSTRY OVERVIEW

The following assumptions are used in the Ipsos Report:

- it is assumed that the level of supply and demand in the construction industry in Hong Kong will remain stable over the forecast period; and
- it is assumed that there will be no external shocks such as financial crises or natural disasters which may affect the demand and the supply in the construction industry in Hong Kong during the forecast period.

The following parameters are considered in the Ipsos Report:

- GDP value and GDP growth rate in Hong Kong from 2011 to 2015;
- gross fixed capital formation value in Hong Kong from 2011 to 2015;
- total investment value in construction projects in Hong Kong from 2011 to 2015;
- gross output value of overall construction works performed by main contractors, segmented by public and private sectors, and subcontractors at construction sites in Hong Kong from 2011 to 2015 and forecast from 2016 to 2020;
- public expenditure on infrastructure in Hong Kong from 2011 to 2015;
- total number of public rental housing units constructed by Hong Kong's Housing Authority from 2011 to 2015;
- total number of private residential housing units in newly completed projects in Hong Kong from 2011 to 2015;
- total square meter of private office premises newly completed in Hong Kong from 2011 to 2015;
- GDP value and GDP growth rate in Macau from 2011 to 2015;
- gross fixed capital formation value in Macau from 2011 to 2015;
- gross output value of construction industry in Macau from 2011 to 2015 and forecast from 2016 to 2020.

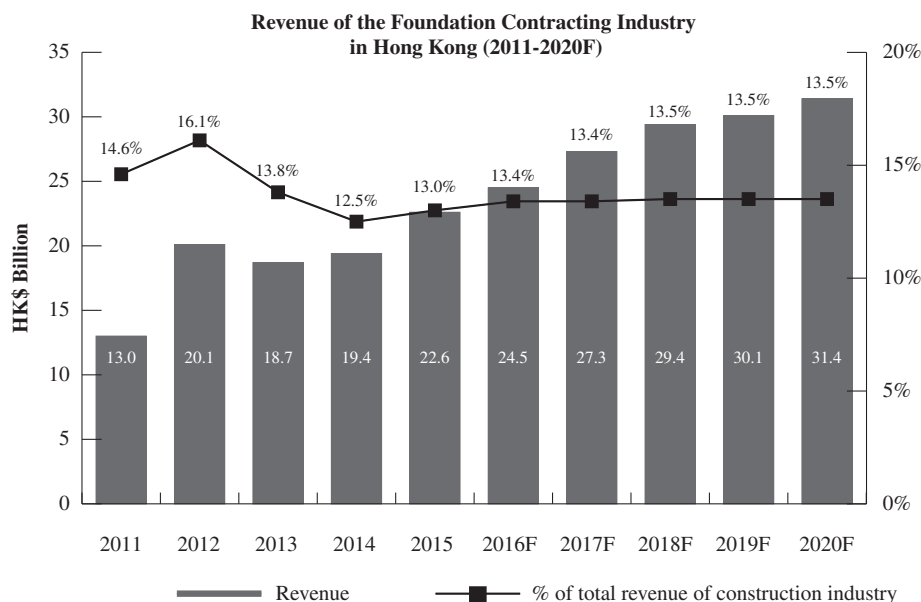
RELIABILITY OF INFORMATION IN THE IPSOS REPORT

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

INDUSTRY OVERVIEW

MARKET OVERVIEW OF THE FOUNDATION INDUSTRY IN HONG KONG

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



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis.

The revenue of Hong Kong’s foundation contracting industry grew significantly at a CAGR of approximately 14.8% from HK\$13.0 billion in 2011 to HK\$22.6 billion in 2015.

As foundation works such as piling works are carried out only after a construction project has commenced, the growth in the foundation industry reflects that of the entire construction industry. The increasing revenue of the foundation industry during 2011-2015 was mainly driven by the public sector, including the “Ten Major Infrastructure Projects” and the “Public Housing Development Program”.

The revenue of the foundation contracting industry is forecasted to increase at a CAGR of about 6.4% over 2016-2020, from HK\$24.5 billion to HK\$31.4 billion due to the expected increase in demand for residential and commercial buildings as well as public infrastructure projects.

INDUSTRY OVERVIEW

With the commencement of and upcoming projects in residential and commercial buildings as well as public infrastructure, the gross output value of foundation industry in Hong Kong is expected to grow. According to the 2015 Policy Address, the private sector is expected to produce about 14,600 flats per year between 2015 and 2019 compared to about 11,400 flats per year in the past five years. In the 2016 Policy Address, another housing policy was launched to continue increasing the residential housing supply. The Housing Authority and the Hong Kong Housing Society (HKHS) will produce about 97,100 public housing units, of which about 76,700 will be public rental house units and about 20,400 will be subsidised sale flats. Thus, the continuous investment in property development is expected to increase the housing supply and drive the total revenue of construction and foundation works in Hong Kong during the coming years.

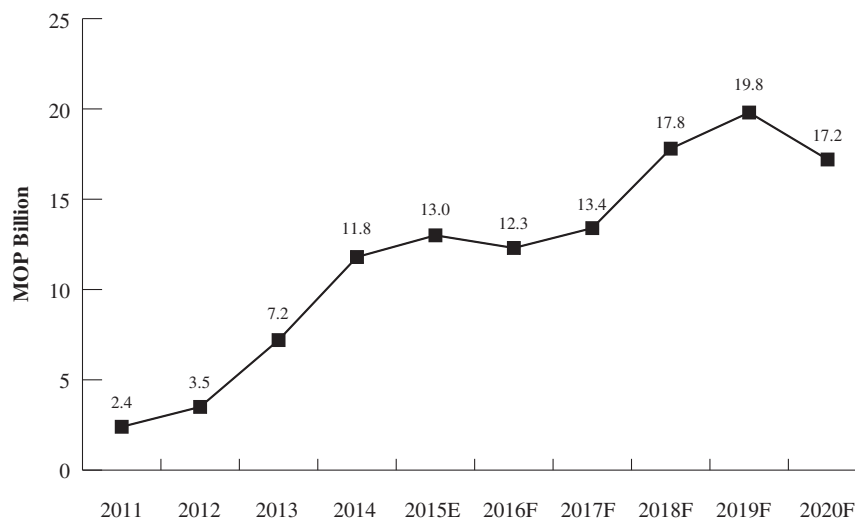
OVERVIEW OF FOUNDATION INDUSTRY IN MACAU

The liberalisation of Macau's gaming industry in 1999 encouraged several luxury resorts and casino development projects during 2002-2009. These developments generated strong growth in Macau's construction industry during 2002-2009. Furthermore, the gaming industry has fostered the development of other sectors, including tourism, retail, and real estate, leading to a continued demand for construction services since 2002. For example, numerous luxury apartments were constructed during 2002 to 2009 to cater to high-end property buyers as well as investors.

Apart from the private sector, the Macau Government aims to progressively increase the public housing supply. The 2009-2010 Policy address stated that the Macau Government aims to construct at least 19,000 public housing units by 2012, and launch the "2010-2020 Long-Term Housing Strategy" to ensure a stable housing supply, as favorable policies drive the demand for foundation contracting works. According to the 2014 Policy Address, the Macau Government has implemented the construction of 19,000 public housing units and the planning of "post-19,000 units" public housing projects, continuing to increase the public housing supply and to meet the growing demand of public housing.

INDUSTRY OVERVIEW

Estimated gross output value of foundation industry in Macau from 2011 to 2020



Notes: (1) Data for 2011 to 2014 was estimated by Ipsos based on the data obtained from Census and Statistics Department, Macau.

(2) Data for 2015E to 2020F was forecasted by Ipsos.

(3) Data for 2015 will be released at the end of 2016

Source: *Census and Statistics Department, Macau; Ipsos research and analysis*

The estimated gross output value of the foundation industry in Macau is projected to rise from about MOP 13.0 billion in 2015 to about MOP 17.2 billion in 2020, at a CAGR of about 5.8%.

The slight decrease in gross output value of the foundation industry in Macau during 2015-2016 is attributed to the recent sluggish economy, affecting investment in general building construction works in the private sector, and thus, influencing its foundation works.

The gross output value of foundation industry in Macau will grow at a CAGR of about 8.7% over 2016 to 2020, led by the rebound in the construction industry which can be attributed to the future development of casinos in Macau. According to the reports of major companies in the Macau gaming industry such as Galaxy Entertainment Group and Melco Crown Entertainment, the construction of casinos, hotels and other facilities is planned to be implemented during the period from 2016 to 2020. These will support the general building construction works sector in Macau, thus supporting the foundation works in Macau.

INDUSTRY OVERVIEW

The Macau Government's initiatives to increase the public housing supply are expected to drive the demand for foundation works over 2016 to 2020 as well. According to the Macau 2014 Policy address, the Macau Government has begun to execute the "post-19,000 units" plan to meet the public housing demand. According to the Macau 2016 Policy Address, the Macau Government will progressively make an effort on increasing the public housing supply.

The gross output value of the foundation industry in Macau is expected to slightly decrease in 2020, as some large infrastructure projects and major building construction projects are targeted to be completed before 2020. Also, there are fewer construction projects to support Macau's foundation industry in 2020. In "Five-year Development Plan of Macau SAR (2016-2020)" launched in November 2015, major construction projects in the next five years will include the Macau Light Rail Transit: Macau-Taipa Line Phase I (Taipa section), Macau-Taipa Line Phase I (East Macau section), and Macau-Taipa Line Phase II (West Macau section), which is targeted at opening in 2020. Other major projects like the fourth means of connection between Macau and Taipa are under planning stage as well as consultation. The estimated completion time of this project is approximately four to six years. In addition, Macau New Urban Zone is expected to be completed in 2022 or 2023.

COMPETITIVE LANDSCAPE

Industry Structure

In 2015, the foundation industry in Hong Kong was fairly consolidated with the top five contractors and top five subcontractors accounting for approximately 48.3% and 9.4% of the total foundation industry revenue respectively. Other contractors and subcontractors accounted for the remaining approximately 51.7% and 90.6% of the total foundation industry revenue, respectively. Our Company is directly competing with other foundation works contractors and subcontractors for this remaining portion of revenue, as detailed in the tables below.

Number of Competitors

As of January 2016, there were 138 registered contractors under the Buildings Department as the Specialist Contractors (Sub-register of Foundation Works Category), and 40 registered contractors under the Development Bureau as the Specialist Contractors for Public Works under the land piling category. Furthermore, there were 14 registered contractors in the large diameter bored piling category and nine registered contractors in the percussive piling category of the Housing Authority, respectively.

INDUSTRY OVERVIEW

In Hong Kong, the top five foundation contractors contributed approximately HK\$10.9 billion to the total revenue of Hong Kong's foundation contracting industry in 2015.

Top Five Foundation Contractors in Hong Kong in 2015

Rank	Name of Company	Headquarters Location	Revenue in 2015 (HK\$ million) (Notes 1 and 2)	Share of Total Industry Revenue (%)	Key Product and Service Scope
1	Company A	Hong Kong	3,504.0	15.5%	Large diameter bored pile (with bell-out), mini-pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
2	Company B	Hong Kong	2,429.3	10.7%	Barrette pile, large diameter bored pile (with bell-out), mini-pile, non-percussion cast-in-situ concrete pile, percussion cast-in-situ concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
3	Company C	Hong Kong	2,424.1	10.7%	Large diameter bored pile (with bell-out), precast concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile
4	Company D	Hong Kong	1,376.0	6.1%	Large diameter bored pile (with bell-out), mini-pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile
5	Company E	Hong Kong	1,182.8	5.2%	Driven steel H-pile, driven precast concrete pile, prebored socketed steel H-pile, mini-pile, prebored friction pile, pipe pile, soldier pile and sheet pile for pile wall, bored pile, footing and pile caps
N/A	Our Company	Hong Kong	281.4 (Note 3)	1.2%	Driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services)
	Others		11,404.4	50.6%	
	Total		22,602.0	100.0%	

INDUSTRY OVERVIEW

Notes:

1. The industry revenue and respective companies' revenue in 2015 refers to the revenue generated from the foundation industry in Hong Kong from January 2015 to December 2015.
2. Revenue refers to the revenue generated from piling and related foundation works in Hong Kong.
3. Revenue of our Company refers to the total revenue from foundation services acting as main contractor generated from 1 April 2015 to 31 March 2016.

Sources: Ipsos research and analysis

Top Five Foundation Subcontractors in Hong Kong in 2015

Rank	Name of Company	Headquarters Location	Revenue in 2015 (HK\$ million) (Notes 1 and 2)	Share of Total Industry Revenue (%)	Key Product and Service Scope
1	Company F	Hong Kong	634.4	2.8%	Socketed H pile, mini pile, sheet pile, bored pile, driven pile, diaphragm wall, micro pile
2	Company G	Hong Kong	454.9	2.0%	Socketed H-pile, mini pile, micro pile, pre-bored socketed steel pile
3	Company H	Hong Kong	394.4	1.7%	Mini-piling, socket H-piling, driven H-piling, pipe piling, sheet piling and site formation
4	Company I	Hong Kong	324.0	1.4%	Steel H-pile, Socketed H-pile, bored piles, diaphragm walls
5	Company J	Hong Kong	308.3	1.4%	Mini-piling, socket H-piling, bored piles, diaphragm walls
N/A	The Company	Hong Kong	182.9 (Note 3)	0.8%	Driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services)
Others			20,303.1	89.9%	
Total			22,602.0	100.0	

Notes:

1. The industry revenue and respective companies' revenue in 2015 refers to the revenue generated from the foundation industry in Hong Kong from January 2015 to December 2015.
2. Revenue refers to the revenue generated from piling and related foundation works in Hong Kong.
3. Revenue of the Company refers to the total revenue from foundation services acting as subcontractor generated from 1 April 2015 to 31 March 2016.

Sources: Ipsos research and analysis

INDUSTRY OVERVIEW

It is the normal market practice of foundation contractors to have high concentration of their customers in Hong Kong.

Market Growth Drivers of the Foundation Industry in Hong Kong

Government's initiative to increase the supply of residential properties

To cope with the rising demand for residential properties and stabilise the overheated properties market, the Government initiated to increase the supply of public housing units and residential land for private properties. For instance, the Government launched a 5-year plan in 2015 to allocate more land for residential property development. This plan includes providing government-owned land for the Urban Renewal Authority and MTR projects, and rezoning about 150 sites to provide approximately 210,000 public and private units. With the Government's initiative, it is expected that the demand for foundation services in Hong Kong will continue to increase, driving market growth further.

According to the 2016-17 Budget, the Government will increase the land for residential as well as commercial use. For public housing, the Government has adopted the public housing supply target of 280,000 units for the 10-year period from 2016-17 to 2025-26. For private housing, it is estimated that private housing land supply in 2015-16 has a capacity to produce over 29,000 units, including 19,000 units generated from the 2016-17 Land Sale Programme and other units generated from railway property development projects, the Urban Renewal Authority's projects and private redevelopment and development projects. The Government's initiative to increase the housing supply will, therefore, fuel the growth of the foundation industry in the future.

Start of numerous large-scale infrastructure projects

Since the announcement of the "Ten Major Infrastructure Projects" in 2007 Policy Address, the growth of the foundation industry has been supported by the commencement of these large-scale infrastructure projects as well as the MTR extension projects and the development areas in Wan Chai and the New Territories. In addition, large-scale infrastructure projects, such as five railway projects, are currently at different stages of implementation and are expected to be completed between 2015 and 2021. These projects include the West Island Line, the South Island Line (East), the Kwun Tong Line Extension, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), and the Shatin to Central Link.

Entry Barriers to the Foundation Industry in Hong Kong

High capital requirement for foundation main contractors

In Hong Kong, foundation contractors require a large amount of initial capital to purchase or rent specialised machineries and fulfill capital requirements for registration. They have to fulfill numerous minimum capital requirements to register under different government departments. For example, to be qualified for tendering public rental housing contracts under new work 1 category of the Housing Authority, the minimum working capital is HK\$10.1 million. Besides, foundation contractors also need capital to pay workers and subcontractors. Hence, the new entrants in the foundation industry may face difficulties in surviving in this industry if they do not have a sufficient amount of initial capital.

INDUSTRY OVERVIEW

Possession of specialised foundation works machinery

Specialised and advanced machinery is important to foundation contractors in Hong Kong. Foundation contractors who own specialised machineries such as crawler cranes, air compressors, hydraulic crawler drills and other equipment are able to engage in specialised, complex projects and able to tender in different kinds of foundation works. Moreover, by purchasing and renting their own specialised machineries, foundation contractors may enjoy greater flexibility in allocating the resources and satisfying the needs of different projects that require a substantial amount of initial capital per project.

Proven practical industry experience

A lack of practical industry experience is one of the entry barriers of the foundation industry in Hong Kong. In general, customers of foundation works award tenders based on contractors' track records and experiences to assess their abilities to meet technical, safety, time, and budget requirements of the project. As a result, new entrants with little foundation work experience would not have enough proven project management and work experience to support a higher rating for a customer's consideration during the tender process. Furthermore, new entrants are required to obtain technical qualifications for executing certain foundation works projects in the public sector. Without sufficient practical experiences, new entrants may also have difficulties in obtaining technical qualifications.

Technical capability requirement

The foundation industry in Hong Kong has shown a trend of increasing technical capability requirement in recent years. In the past few years, Hong Kong's foundation companies have earned a reputation in high-quality construction work. The adoption of specialised construction techniques such as reclamation and design-and-build methods has made Hong Kong a regional leader. Furthermore, the number of projects requiring sophisticated technology has been rising in the foundation industry in Hong Kong. With the growing size and complexity of the projects, foundation contractors who own advanced technical capabilities would be more competitive in Hong Kong's foundation industry. For new entrants of the foundation industry in Hong Kong, the lack of advanced technical capabilities would be one of its entry barriers.

Opportunities in Hong Kong's Foundation Industry

Rising demand for residential and commercial buildings

The population in Hong Kong is expected to continue increasing and reach about 8.6 million by 2036. Therefore, the demand for residential properties is expected to continue growing in the near future. As per the 2015 Policy Address, the private sector will produce an average of 14,600 flats per year between 2015 and 2019, up approximately 28.1%, compared with 11,400 flats per year produced during 2010-2014. According to the Housing Authority, the number of public rental housing units completed during 2015-2016 and 2019-2020 will increase to about 76,000. The increasing demand for residential properties, and hence for foundation works is expected to continue, providing growth opportunities to the foundation industry in Hong Kong.

INDUSTRY OVERVIEW

Increasing demand for public infrastructure projects

The foundation industry has received substantial business opportunities since the commencement of large-scale construction projects, attributed to the ‘Ten Major Infrastructure projects’ initiated by the Government in 2007. Furthermore, the foundation industry is expected to grow continuously on the back of increasing demand for public infrastructure projects, including railway network expansion (five railway projects are currently underway and expected to be completed over 2015 to 2021). Several railway projects are also planned and are expected to be completed during 2023 to 2031, including Northern Link and Kwun Tung Station, Hung Shui Kiu Station, Tung Chung West Extension, Tuen Mun South Extension, East Kowloon Line, South Island Line (West) and North Island Line. These projects are expected to continuously support the growth in Hong Kong’s foundation industry in the near future.

Threats to Hong Kong’s Foundation Industry

The problem of labour shortage and aging workers threatens development in the construction industry as well as foundation industry in Hong Kong

The Hong Kong construction and foundation industries have been facing the problem of labour shortage and aging workforce. According to the Construction Industry Council, about 42.4% of the 367,377 registered workers who have been in the construction industry for more than 10 years were aged over 50 in April 2016. The problem has become serious with the increasing demand of construction workers from China and Macau since the commencement of large-scale construction projects in these countries. China and Macau, by offering higher salaries, have successfully attracted the construction workers from Hong Kong. With the lack of sufficient construction workers, especially those with experience and skills, the probability of project delays will increase in the construction as well as foundation industry. Furthermore, to retain experienced construction workers who may be attracted by higher salaries offered in Macau and China, contractors in Hong Kong have started paying higher wages which has led to the increasing labour costs in construction and foundation industries.

Increasing operating costs lower profit margin in Hong Kong’s foundation industry

Akin to the overall construction industry, the foundation industry has also been facing the problem of increasing operating costs. The increase in operating costs is attributed to the wage trend of construction workers. For example, the average wage rate of construction workers in Hong Kong continued increasing from about HK\$61.5 per hour in 2011 to about HK\$83.0 per hour in 2015, at a CAGR of approximately 7.8%. Such increases in labour costs have consistently pushed up the operating costs of the foundation industry, lowering the profit margin and becoming a threat to the industry.

INDUSTRY OVERVIEW

Increasing competitors intensify competition in the foundation industry

Competition has intensified in Hong Kong's foundation industry because more competitors have entered the industry. Specifically, several small contractors are now raising capital by the way of listing on the Stock Exchange to expand the scope of their services and volume by purchasing more foundation work machinery. The surging development of small contractors is attributed to the increased competition in Hong Kong's foundation industry as budgets for projects are proposed at more competitive prices in order to win work tenders.

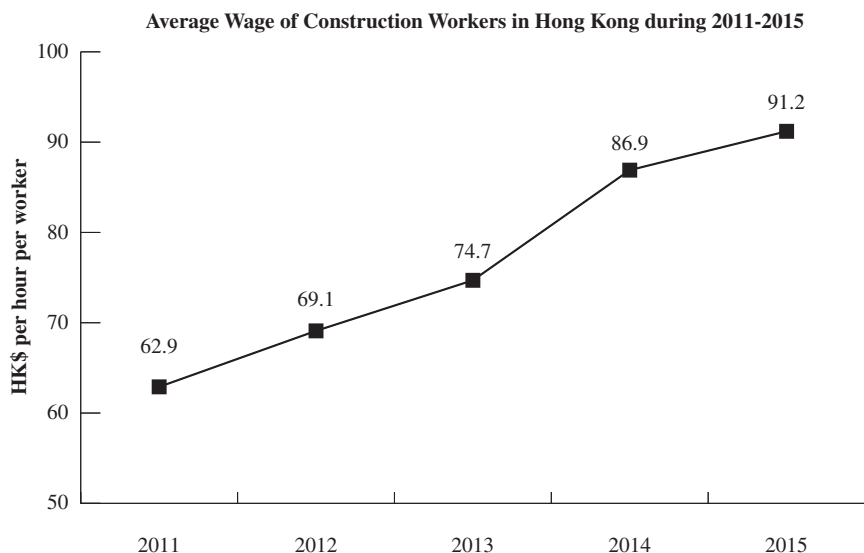
However, as large numbers of projects requiring sophisticated technology have been surging in Hong Kong's foundation industry (eg, in Hong Kong-Macau-Zhuhai Bridge Project), the large-diameter steel caisson method was used to create two man-made islands which serve as tunnel mouths and transitions for the eastward and westward bridge piers. Other examples of modern technology finding application in the industry include drill & blast method used in Guangzhou-Shenzhen-Hong Kong Express Rail Link project, horizontal pipe piles method used in West Kowloon Cultural District Construction project, and cut & cover method used in the construction of railway between Kai Tak Station and To Kwa Wan Station in the Kai Tak Development project. Therefore, large contractors with good reputation and advanced technical capabilities still maintain their competitiveness. Increasing competition may impact profit margins on foundation works, especially for small contractors with insufficient capital, while large contractors are relatively less impacted.

A slowdown has shown in Hong Kong's property market recently

A slowdown has shown in Hong Kong's property market recently. These can be attributed to the overheated property price and a softening mainland economy, which affect the affordability of property and the buying desire of consumers. According to the Land Registry, the total number of sale and purchase agreements for building units in January 2016 decreased by around 41.0% as compared with December 2015 and decreased by around 62.4% as compared with January 2015. However, the number has experienced a rising trend in the first half of 2016, except a slight drop in June. The number of agreements for sale and purchase of building units increased from 3,123 in January to 6,033 in June of 2016. In addition, according to Rating and Valuation Department of the Government, the price index of private residential building by all classes has been in decline since July 2015, at 304.1, falling to 285.2 in December 2015. The price index, nonetheless, remained stable since January 2016 and hovered around 274.6 level. During the second half of 2015, the price index of overall private office dropped from 457.0 to 450.1. Apart from the fallen residential transaction and price index, the total floor area of completion of overall private office is expected to decrease by 22.4% from 219,000 m² in 2015 to 170,000 m² in 2016 and the completion of private residential building (large units) is expected to decrease by 41.6% from 3,100 units in 2015 to 1,810 units in 2016. However, with the Government's supporting policy on increasing private housing supply as well as land for private housing use, the demand for building construction works as well as foundation and site formation work in Hong Kong may not be impacted.

INDUSTRY OVERVIEW

Historical Average Wage Trend for Workers in Hong Kong's Construction Industry



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

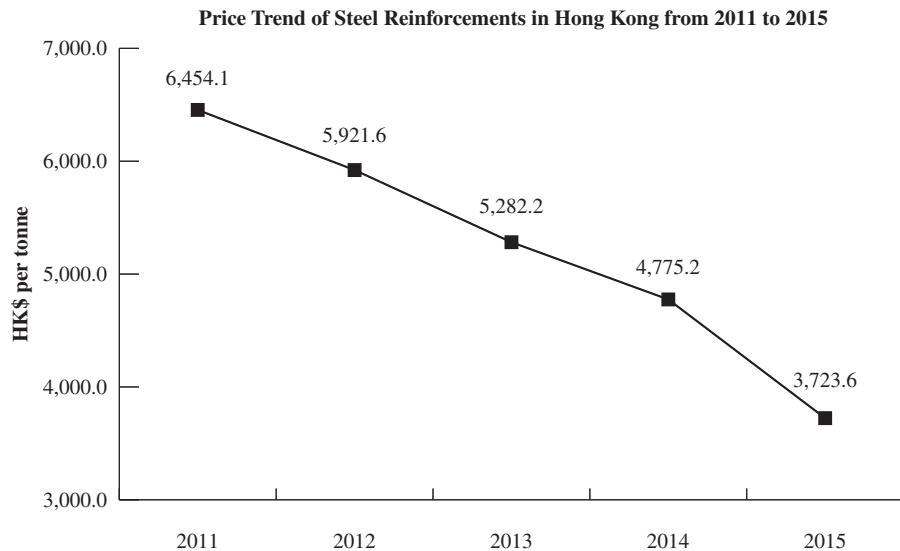
The average wage of construction workers in Hong Kong increased at a CAGR of about 9.7% from about HK\$62.9 per hour in 2011 to about HK\$91.2 per hour in 2015. This trend is mainly due to labour shortage, which is exacerbated in Hong Kong's construction industry where old and skilled construction workers leave the industry after they retire and young people interested in joining the construction industry are in short supply.

Owing to large infrastructure projects, the average wage of construction workers is expected to grow in the next few years. Tightness in the labour market has led to wage inflation in the construction industry as businesses struggle to attract and retain the required skills.

The rise in average wage of construction workers led to the increase in labour cost in the construction industry. Consequently, the final project fee increased as a result of cost transfer to customers.

INDUSTRY OVERVIEW

Historical Price Trend of Raw Materials in the Foundation Subcontracting Industry in Hong Kong



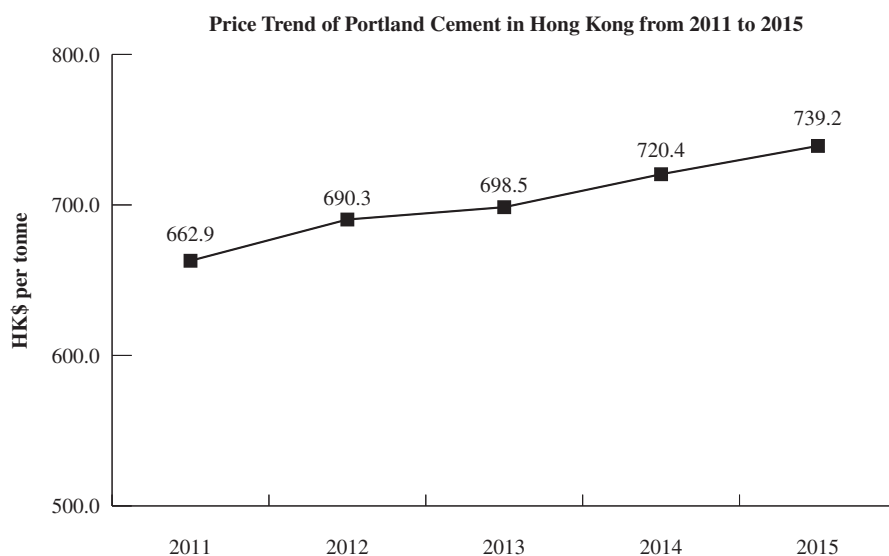
Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The decrease in the average wholesale price for steel reinforcements imported in Hong Kong between 2011 and 2015 was attributed to the decrease in downstream industries' demand for steel production during this period due to difficulty in financing caused by the deteriorating European economy and China's monetary tightening policies, and the global drop in demand for new construction work, paired with oversupply of steel.

Suppliers of construction materials usually use quotation, negotiation, tracking and forecasting to maintain control over steel prices as well as to reduce the business risks brought by price volatility.

INDUSTRY OVERVIEW

The average wholesale price of steel reinforcements continuously decreased to HK\$3,723.6 in 2015. As China seeks to shift away from investment-led growth to a consumption-driven economy and its economic growth is projected to remain moderate during 2015-2016, the downstream industries' demand for steel and other construction materials will be affected.

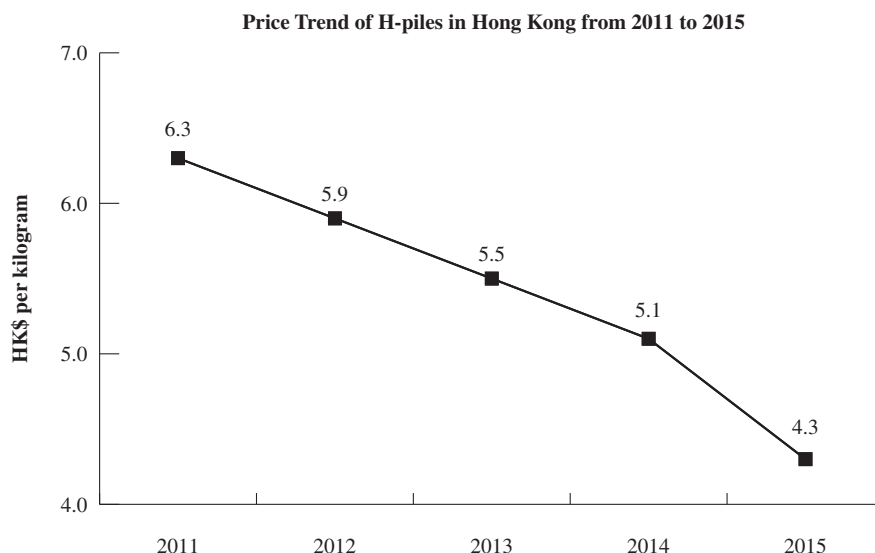


Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The average wholesale price of Portland cement in Hong Kong increased from about HK\$662.9 per tonne in 2011 to about HK\$739.2 per tonne in 2015, at a CAGR of about 2.8%. The price has been slowly increasing at a relatively stable rate since 2012.

Given the robust demand for construction works in Hong Kong, the average wholesale price of Portland cement increased to HK\$739.2 per tonne in 2015. With upcoming and ongoing residential and commercial buildings as well as public infrastructure projects, such as the Ten Major Infrastructure Projects and some railway network expansion projects, which will undoubtedly increase the demand for Portland cement, the average wholesale price of Portland cement is expected to continuously increase in the future.

INDUSTRY OVERVIEW



Notes: Data for price of H-piles refers to the average price of hot-formed H-piles and cold-formed H-piles. Hot-formed H-pile is classified as HS Code 72161000 (<80mm), 72163300 (>80mm); cold-formed H-pile is classified as HS Code 72166900.

The average wholesale price of H-piles decreased by around 31.7% from 2011 to 2015. Demand of H-piles from downstream industries has suffered and been financially influenced by the poorly performing European economy and China's tightening monetary policies. The global demand for construction works was lower during the period, which has affected the prices of raw materials including H-piles.

Similarly to the trend of steel reinforcements, China's shift away from investment-led growth to a consumption-driven economy will impact the construction industry and the price of downstream industries.

FUTURE TRENDS AND DEVELOPMENT OF THE FOUNDATION INDUSTRY IN HONG KONG

More contractors provide on-site training to workers in the foundation industry in Hong Kong.

Due to the limited supply of workers and skilled labour in the foundation industry, contractors (both main contractors and sub contractors) have started to provide on-site training to new employees. In order to recruit and retain workers in the foundation industry including the small diameter pile foundation industry in Hong Kong, main contractors and subcontractors are more willing to hire workers with less experience and are ready to provide them more support and training.

INDUSTRY OVERVIEW

Foundation contractors including small diameter pile foundation contractors prefer operating piling systems with less noise and vibration generated during operations.

Advanced small diameter pile systems, which produce less noise and vibration during operations, are more preferable in the foundation industry in Hong Kong. Generally, a foundation operation must be stopped if the Environmental Protection Department receives complaints from the public about the noise and vibration generated from the operation. This may postpone the timeline of the project, and also impose a penalty, which should be borne by contractors. Therefore, piling systems generating less noise and vibration during the operation are more preferable in the foundation industry in order to avoid any delay in the project.

LAWS AND REGULATIONS

HONG KONG LAWS

This section sets out a summary of the material laws and regulations applicable to our Group's business in Hong Kong.

A. Laws and regulations in relation to the contractor licensing regime

General building contractor/specialist contractor

Under the current contractor registration system in Hong Kong, a contractor carrying out public or private building works and street works must be registered with the Buildings Department as a (i) general building contractor, (ii) specialist contractor or (iii) minor works contractor. A building owner is required to appoint contractors from the appropriate register corresponding to the category of building works to be carried out.

Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors while registered specialist contractors may only carry out specialised works in their corresponding categories in the sub-registers in which they have been entered. Section 8A(2) of the Buildings Ordinance empowers the Building Authority to designate, by notice in the Gazette, categories of building works as specialised works that are required to be carried out by registered specialist contractors. Currently, there are five categories of works designated as specialised works, namely demolition works, foundation works, site formation works, ventilation works and ground investigation field works.

Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a registered general building contractor or registered specialist contractor must satisfy the Building Authority on the following aspects:

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

In considering each application for registration as registered general building contractor or registered specialist contractor, the Building Authority is to have regard to the qualifications, competence and experience of the following key personnel of the applicant:

- a. a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, that is the “**Authorised Signatory(ies)**”;

LAWS AND REGULATIONS

- b. for a corporation – a minimum of one director from the board of directors of the applicant, that is the “**Technical Director(s)**” who is authorised by the board to:
 - (i) have access to plant and resources;
 - (ii) provide technical and financial support for the execution of building works and street works; and
 - (iii) make decisions for the company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

- c. for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works – an ‘other officer’ or an Authorised Signatory(ies) authorised by the board of directors to assist the Technical Director.

In addition, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

For registration as a registered specialist contractor, the applicant must satisfy the Building Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has access to engaging qualified persons to carry out the relevant specialised duties, e.g. competent person (logging) for ground investigation field works.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Simon & Sons had met the criteria and requirements to remain as the general building contractor and the registered specialist contractor for its relevant category that are applicable to our Group.

Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)

Under section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works, including alteration, addition and every kind of building operation, without having obtained approval and consent from the Building Authority. Any person who intends to carry out alteration or addition building works in existing premises is required to appoint an authorised person, and where necessary a registered structural engineer, to prepare and submit plans for the approval of the Building Authority under the Buildings Ordinance. He is also required to appoint a registered contractor to carry out the building works. The Building Authority may require that all such building works shall be carried out in such a way that the building will comply with the standards of the Buildings Ordinance.

LAWS AND REGULATIONS

Under section 4(1) of the Buildings Ordinance, every person for whom building works or street works are to be carried out shall appoint:

- a. an authorised person as the co-ordinator of such building works or street works;
- b. a registered structural engineer for the structural elements of such building works or street works if so required under the Buildings Ordinance; and
- c. a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under the Buildings Ordinance.

Private sector foundation and site formation projects

Private sector projects cover projects launched by private developers as well as any other entities not being the Hong Kong Government departments and statutory bodies, including but not limited to utility companies, charity organisations, and private educational institutions.

In order to undertake private sector works as main contractor, a contractor must be registered with the Buildings Department as a registered specialist contractor under the categories of foundation works and site formation works, unless the main contractor subcontracts those works to a registered specialist contractor. Where the main contractor engages a registered specialist contractor under the categories of foundation works and site formation works (as the case may be) to undertake the relevant works, irrespective of whether such works form the whole or part of the contract works, the main contractor itself would not be required to be a registered specialist contractor under the relevant category. Subcontractors undertaking foundation and site formation works are required to be registered specialist contractors under the categories of foundation works and site formation works (as the case may be).

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

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

Public sector foundation projects

Registration with the Buildings Department as a registered specialist contractor under the category of foundation works is one of the minimum requirements for contractors undertaking foundation works in the public sector under the Development Bureau and the Housing Authority.

LAWS AND REGULATIONS

Set out below are the further requirements for a registered specialist contractor under the category of foundation works to undertake foundation work projects of the Development Bureau and the Housing Authority.

Development Bureau projects

The public work projects undertaken by Architectural Services Department, Buildings Department, Civil Engineering and Development Department, Drainage Services Department, Electrical and Mechanical Services Department, Lands Department, Land Registry, Planning Department and Water Supplies Department fall under the administration of the Development Bureau. If a contractor wishes to carry out public land piling works of the Development Bureau, it must be included in either “Group I” or “Group II” of the Approved Specialist List which is administered by the WBDB under the category of “Land Piling” in respect of the relevant piling system. The scope of work in this category covers design, supply and installation of registered piling systems on land. Approved Specialist List (Group I) can undertake foundation contracts/subcontracts up to HK\$3.4 million while Approved Specialist List (Group II) contractors can undertake foundation contracts/subcontracts of unlimited value.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. To remain on the Approved Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group. In granting a registration/approval to a foundation contractor, WBDB takes into consideration, among others, (a) the contractor’s financial strength; (b) the contractor’s technical experience and management capability; and (c) the machinery and equipment maintained by the contractor.

For admitting to and remaining as an approved contractor on the Approved Specialist List (Group II – Land piling category), our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

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

b. Minimum working capital

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

LAWS AND REGULATIONS

- c. Minimum technical and management criteria/other requirements
- (i) A registered specialist contractor in the foundation sub-register under the Buildings Ordinance.
 - (ii) Possess quality management system certificates issued under the rules of the HKCAS operated by the Hong Kong Accreditation Service, i.e. bearing the HKCAS accreditation mark, and quality management system certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the Environment, Transport and Works Bureau. The scope of certification shall be relevant to the piling system under application.
 - (iii) Top management: at least one member of the resident top management with a minimum of five years local experience in managing a construction firm obtained in the past eight years. Top management shall be the president, chairman, director, managing director, executive director or general manager etc.
 - (iv) Technical staff: at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works.
 - (v) Job experience: have experiences as main contractor and at least three medium/large size local projects (of value above HK\$3 million each) were completed with good references.
 - (vi) Plant and equipment: appropriate equipment for each system (at least one set for each system).

The plant and equipment requirements are subject to modification as technology advances and as new plant emerge. Furthermore, the type of materials and method of application that the contractors select will dictate the plant required.
 - (vii) Office/workshop facilities: local office required and yard facilities available.
 - (viii) Others: Piling system to be registered: (1) method statement; (2) typical calculations; (3) acceptable references; and (4) satisfactory demonstration on site.

LAWS AND REGULATIONS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Simon & Sons had met the criteria and requirements to remain on the Approved Specialist List that are applicable to Simon & Sons.

Pursuant to a technical circular issued by WBDB on 14 June 2004, all capital works and maintenance works contracts of the government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the Primary Register of the Voluntary Subcontractor Registration Scheme introduced by the Provisional Construction Industry Coordination Board (臨時建造業統籌委員會) whose work was taken over by the Construction Industry Council (建造業議會) in February 2007.

Housing Authority projects

In addition to being registered as a specialist contractor – foundation category under the Buildings Ordinance, it is a prerequisite that a contractor is included in the “Housing Authority List of Piling Contractors” (the “**Housing Authority List of Piling Contractors**”) in order to tender for a Housing Authority piling project. The Housing Authority List of Piling Contractors is divided into two categories:

- a. Large diameter bored piling category; and
- b. Percussive piling category.

A contractor may be included in one or both of the above categories and is eligible to tender for contracts of unlimited values using the pile type belonging to that category provided such pile type is an acceptable pile type for the contracts. Contractors of each of the above categories are also eligible to tender for contracts of unlimited values using a pile type not belonging to percussive pile category and large diameter bored pile category provided such pile type is an acceptable pile type for the contracts.

A contractor shall possess ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001 certificates with respect to its own category. The minimum scope of certification for percussive piling category is to carry out the construction of percussive piles, while the minimum scope of certification for large diameter bored piling category is to carry out the construction of large diameter bored piles. A contractor shall also meet the minimum requirements set out by the Housing Authority regarding, among others, (i) work experience; (ii) financial capability; (iii) number, qualifications and experience of full-time staff to be employed for admission/retention on the Housing Authority List of Piling Contractors; and (iv) plant and machinery.

LAWS AND REGULATIONS

Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements set out in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of a renewal application fee.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Simon & Sons had met the criteria and requirements to remain on the Housing Authority List of Piling Contractors.

For details of our Group’s major registrations and qualification for our services, please refer to the section headed “Business – Licences and permits” in this prospectus.

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

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site.

Under the Construction Workers Registration Ordinance, “construction work” means, *inter alia*, any building operation involved in preparing for any operation such as laying of foundations, excavation of earth and rock prior to laying of foundations, site clearance, site investigation, site restoration, earthmoving, tunnelling, boring, scaffolding and provision of access. “Construction site” means (subject to certain exceptions) a place where construction work is, or is to be, carried out. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied, *inter alia*, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, amongst others, (i) the person has attended the relevant construction work-related safety training course and (ii) if the registration will, on the date of its expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

Regulatory actions against contractors by the Development Bureau and the Housing Authority

The Development Bureau and the Housing Authority may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and the Employment Ordinance and employment of illegal workers.

LAWS AND REGULATIONS

For instance, according to the Technical Circular (Works) No.3/2009 issued by the Development Bureau and the “Guide to Registration of Works Contractors and Property Management Services Providers” issued by the Housing Authority, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the relevant authority of Government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor’s qualification to a lower status or class in all or any specified category) of the contractor’s licence, depending on the seriousness of the incident triggering the regulatory actions.

B. Laws and regulations in relation to construction 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 the industrial sector. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that do not endanger safety or 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, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy working environment.

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements wilfully and without reasonable defence commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

LAWS AND REGULATIONS

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

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

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

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

- (a) provision and maintenance of plant and systems of work that are safe and without risks to health;
- (b) making of arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing all necessary information, instructions, training and supervision for ensuring safety and health;
- (d) as regards any workplace under the employer's control:
 - (i) maintenance of the workplace in a condition that is safe and without risks to health; and
 - (ii) provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks; and
- (e) provision and maintenance of a working environment for the employees that is safe and without risks to health.

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

LAWS AND REGULATIONS

The Commissioner for Labour may also issue an improvement notice against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

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

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

Under 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 subcontractors. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractors who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount no 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.

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

LAWS AND REGULATIONS

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. Under section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor is/are jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) is 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 works; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

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

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

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 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 setoff 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.

LAWS AND REGULATIONS

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

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

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

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

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

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

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

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

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.

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

- foundation and associated works;
- civil engineering and associated works;
- demolition and structural alteration works;
- refurbishment and maintenance works;
- general building construction works;
- fire services, mechanical, electrical and associated works;
- gas, plumbing, drainage and associated works; and
- 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 jobs within the same industry, so long as their previous and new employers are registered with the same industry scheme. This is convenient for scheme members to save administrative costs.

C. Laws and regulations in relation to environmental protection

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

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

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

LAWS AND REGULATIONS

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, site formation, piling and extraction from the earth of any matter whatsoever. Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such “notifiable work” includes site formation, reclamation, demolition of a building; work carried out in any part of a tunnel that is within 100 m of any exit to the open air, construction of the foundation of a building, construction of the superstructure of 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 NRMMS, including non-road vehicles and regulated machines such as crawler cranes, generators, excavators and air compressors.

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

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

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

As at the Latest Practicable Date, our Group has 70 exempted machines with proper label issued by the Hong Kong Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Of the 70 exempted machines, there are 16 crawler cranes, 28 generators, 19 air compressors and 7 excavators subject to the phase out plan as detailed in the Technical Circular.

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

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

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of Environmental Protection. Percussive pile driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Director of Environmental Protection.

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

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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, manufacturing, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of Environmental Protection.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for six months and (a) for a first offence, a fine of HK\$200,000; and (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, reprocessing, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

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

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

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labelled and stored properly before disposal. Only a licensed waste 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 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 licence from the Director of Environmental Protection. A person who uses, or permits to be used, any land or premises for the disposal without such a licence commits an offence and is liable to (i) a fine of HK\$200,000 and to imprisonment for six months for the first offence; (ii) to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and (iii) 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.

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

Under the Dumping at Sea Ordinance, anyone involved in marine dumping and related loading operations are required to obtain permits from the 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 six months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for two years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

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

The purpose of 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 otherwise exempted.

Under the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project as listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 of the Ordinance 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 two years; (c) on a first summary conviction to a fine at level 6 and to imprisonment for six 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)

Pursuant to Section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or of that person cannot be found on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

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 etc. from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$5,000 upon conviction.

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

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

Any premises in such a state as to 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.

D. Other

Security of Payment Legislation for the Construction Industry

The Government has currently completed a public consultation on a new legislation for the construction industry to address unfair payment terms, payment delays and disputes and intended to proceed with such new legislation. SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain.

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

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The new legislation will:

- prohibit “pay when paid” and similar clauses in contracts. “Pay when paid” refers to provisions in contracts that (i) make payment contingent or conditional on the operation of other contract or agreement and (ii) make payment conditional on the payer receiving payment from a third party. Payers will not be able to rely on such clauses in dispute resolution forums;
- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments;
- enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60 day process); and
- give parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

It is probable that some of our contracts will be caught by the new SOPL legislation and where such contracts are subject to SOPL, we will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process and therefore it is generally considered that where SOPL applies, this will have a positive impact on ensuring that we get paid in a timely manner. On the other hand, since (i) our subcontracting agreement does not contain “pay when paid” provision and (ii) we generally pay our subcontractors within 30 days upon receipt of their invoices, our Directors consider that our payment pattern does not deviate from the requirements stipulated in the SOPL and our payment practice, cash management and liquidity will not be affected by the SOPL if it becomes effective.

As at the Latest Practicable Date, the implementation date of the new SOPL legislation has not been announced.

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

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

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

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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 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.

MACAU LAWS

This section sets out a summary of the material laws and regulations applicable to our Group’s business in Macau.

Construction and Foundation Works and Safety

The Construction and Foundation Works regime in Macau is mostly based on the General Construction Works Regulation, the Fire Safety Regulation, the Foundation Works Regulation, and the Safety and Action in Building Structures and Bridges Regulation.

The General Construction Works Regulation establishes administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this Regulation, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography and soil application infrastructures are considered “construction works”. Pursuant to the said Regulation, a constructor, individual or corporate, must register with DSSOPT, in order to carry out construction works in Macau.

LAWS AND REGULATIONS

The Fire Safety Regulation provides a set of rules aimed at preventing and controlling fires. Under the said Regulation, buildings should be compartmentalised by walls and floors that are fire resistant and hinder the spread of fire. Moreover, the construction material must have sufficient fire resistance in order to minimize the risk of collapse, particularly during the period of time requires to the evacuation of people and the operations of firefighting.

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

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

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

The Safety and Action in Building Structure and Bridges Regulation establishes specific rules for verifying the safety of building structures, road bridges and footbridges, as well as other types of structures. The verification of the security of structures. The verification of the security of structures must be made in relation to limit states, by comparing them to the states to which the structure is driven by the performance of the actions to which it is subject. Limit states are defined as the state at which a structure is fully or partially impaired in its ability to perform the functions for which it was designed.

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Labour, Health and Safety

The Macau Labour Relations Law of 2008 establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Labour Department, in general, and the DSSOPT with respect to construction sites, in particular.

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

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

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

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

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

LAWS AND REGULATIONS

Environmental Protection

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

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

Concerning noise pollution in particular, Law no. 8/2014 establishes rules on prevention and control of environmental noise pollution and sets noise limits, Pursuant to this Law, the use of pile-driving hammers is not allowed on Sundays and on holidays, as well as between 7:00 p.m. and 9:00 a.m. on weekdays. Moreover, the use of mechanical equipment, fixed or mobile, in construction works less than 200 meters from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 8:00 p.m. and 8:00 a.m. on weekdays.

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

Requirements for Constructor Registration in Macau

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

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

1. Registration Procedure

The procedure for the registration of a constructor with the DSSOPT, provided for in Articles 8 ff. of the General Construction Works Regulation, is as follows:

- (a) A written request for the registration of a constructor must be submitted to the Director of the DSSOPT, accompanied by a list of the technical means at the constructor's disposal, as well as by a list of the construction works previously carried out, and also a declaration made by a technician of the constructor. The qualifications of the constructor shall be assessed based on the documents submitted to the DSSOPT.
- (b) In case the registration request is accepted, a registration fee, currently in the amount of MOP6,600.00 (six thousand and six hundred Patacas), must be paid within 10 (ten) days of the date of the notification of acceptance of the registration.

The registration as a constructor with the DSSOPT is valid for a period of one year, i.e., until the end of the civil year in which it was requested, and its renewal must be requested during the month of January of each subsequent civil year. Failure to comply with this deadline will result in the expiration of the registration as constructor with the DSSOPT.

The process of renewal of a registration with the DSSOPT normally takes around 15 (fifteen) working days counted from the submission by the applicant of all the required documents for that purpose, which are the same as those submitted upon registration as a constructor.

The DSSOPT will maintain an updated individual file of every registered entity which will include (a) the individual's full name and respective domicile or, if a corporate entity, its business name and articles of association and or registered address; (b) the documentation revealing professional qualifications and expertise; (c) specimen signatures containing the full and abbreviated names adopted, which, in the case of corporate entities, will be those of the directors who have legal capacity to bind the company; and (d) the indication of occurrences relating to projects directed by technicians, or occurrences relating to works carried out by construction companies.

The change of domicile or registered address of an entity registered with the DSSOPT must be communicated to DSSOPT within 8 days counting from said change.

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2. *Constructor's requirement*

There are no specific requirements for a company to be registered as a constructor with the DSSOPT. The qualifications of the applicant company shall be assessed based on the documents submitted to the DSSOPT, namely the list of the technical means at the constructor's disposal, as well as the list of the construction works previously carried out.

3. *Employee's requirement*

For each project, the constructor should have a technician responsible for the works, who must also be registered as such with the DSSOPT. The qualifications of the applicant technician shall be assessed based on the documents submitted to the DSSOPT at the time of registration, namely a professional certificate and a declaration under oath regarding the observation and fulfilment of regulatory and technical provisions applicable to technicians responsible for works.

The technician in charge of a project may renounce to its direction at any time, as long as he/she communicates that fact in writing to the DSSOPT. However, such technician will be responsible and liable for the works carried out until the date of the registration.

4. *Job experience of constructor*

There are no specific requirements for the job experience of a constructor.

Compliance with the relevant laws and regulations

Our Directors confirmed that our Group had obtained all relevant permits, registrations and licenses for its existing operations and complied with all relevant laws and regulations (save as disclosed in the section headed "Business – Non-compliance" in this prospectus) during the Track Record Period and up to the Latest Practicable Date.

HISTORY AND DEVELOPMENT

INTRODUCTION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2016. Our Company completed the Reorganisation on 7 October 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.

Commencement and early development of our business

The history of our Group can be traced back to 1970 when Mr. Simon Chan, our founder, honorary chairman and non-executive Director, recognised the growth potential of the building construction market in Hong Kong and therefore established Simon Construction & Engineering Company (“SCEC”), a sole proprietorship registered in Hong Kong and principally engaged in piling works as a registered contractor in Hong Kong. In the early 1980s, Mr. Gary Chan, Mr. Edmond Chan and Ms. Amanda Chan, who are Mr. Simon Chan’s sons and daughter, our executive Directors and Controlling Shareholders, joined SCEC as assistant managers who together form the core management of our Group from the early 1980s up to the present days.

In October 1986, with the rapid growth in the building and construction industry in Hong Kong which led to an increase in demand for piling works, Simon & Sons, our principal operating subsidiary, was incorporated in Hong Kong and owned as to 62.5%, 15%, 10%, 7.5% and 5% by Mr. Simon Chan, Mr. Gary Chan, Mr. Chan Chak Man (a brother of Mr. Simon Chan), Mr. Edmond Chan and Ms. Amanda Chan, respectively. Since incorporation of Simon & Sons, we have continuously strengthened our capability to capture business opportunities through acquiring and expanding our fleet of piling machinery, expanding our project portfolio and building up our professional qualifications by obtaining various registrations and certifications from relevant government bodies/public organisations. Since then, we have positioned ourselves as a foundation contractor capable of providing a full range of foundation construction services, covering percussive piling and non-percussive piling such as the design and construction of driven H-piles, socketed H-piles, concrete piles, pipe piles, mini-piles, pile cap works and site formation works.

In April 2002, we incorporated Simon & Sons (Macau) which was successfully approved by DSSOPT as a construction contractor in Macau in February 2005.

Since the late 1990s, Mr. Simon Chan gradually retired and stepped down from his managerial role in Simon & Sons. Since then, Mr. Gary Chan, Mr. Edmond Chan and Ms. Amanda Chan have become instrumental in the development of our Group. Please refer to the section headed “Directors, senior management and employees” in this prospectus for details relating to their background and industry experience. Details of the members of our Group and their respective corporate history are set out below.

HISTORY AND DEVELOPMENT

BUSINESS DEVELOPMENT AND MILESTONES

The following table sets out the major developments and milestones of our Group since 1970:

1970	SCEC was established as a registered contractor.
1986	Simon & Sons was incorporated in Hong Kong on 31 October 1986. In order to capture the growing business opportunities for foundation works in Hong Kong, we strategically positioned ourselves as a foundation contractor capable of providing a full range of foundation construction services, covering percussive piling and non-percussive piling such as the design and construction of driven H-piles, concrete piles, pipe piles, mini-piles, pile cap works and site formation works.
1998	Our quality management system was certified to be in compliance with the standard required under ISO 9001:1994.
1999	<ul style="list-style-type: none">• Simon & Sons was admitted onto the Approved Specialist List under the category of land piling (Group II) for “Minipile”, “Rock-socketed Steel H-pile in Pre-bored Hole” and “Steel H Pile”.• Simon & Sons was registered as a general building contractor with the Buildings Department.
2000	<ul style="list-style-type: none">• Simon & Sons was registered as specialist contractor in the categories of foundation works and site formation works with the Buildings Department.• Simon & Sons was admitted onto the Housing Authority’s List of Piling Contractors in Percussive Piling Category.
2001	We were awarded our first public housing project relating to construction of shuttle lift complex for a major public housing agency.
2002	<ul style="list-style-type: none">• Simon & Sons (Macau) was established in Macau.• We were awarded our first foundation project with a contract sum which exceeds HK\$100 million relating to residential development project for a private sector customer.
2004	Our environmental management system was certified to be in compliance with the standard required under ISO14001:2004.

HISTORY AND DEVELOPMENT

2005	Simon & Sons (Macau) was approved by DSSOPT as a construction contractor in Macau.
2006	We were awarded our first foundation project in Macau with a contract sum exceeding HK\$30 million relating to design and construction of foundation and basement works for a private sector customer.
2010	Our occupational health and safety management system is certified to be in compliance with the standard required under OHSAS 18001:2007.
2013	We were awarded two foundation projects with an aggregate contract sum exceeding HK\$350 million relating to two luxury hotel resort projects in Macau.
2015	<ul style="list-style-type: none">• We were awarded a foundation project with a contract sum exceeding HK\$230 million relating to a development project in Kowloon City as a main contractor.• Our energy management system is certified to be in compliance with the standard required under ISO 50001:2011.
2016	We were recognised as a model subcontractor by the Development Bureau and the Construction Industry Council.

OUR CORPORATE HISTORY

Simon & Sons

Simon & Sons was incorporated in Hong Kong with limited liability on 31 October 1986 with an initial issued share capital of HK\$5,000,000 divided into 50,000 ordinary shares of HK\$100 each. On the date of incorporation, Simon & Sons allotted and issued 31,250 shares, 7,500 shares, 5,000 shares, 3,750 shares and 2,500 shares to Mr. Simon Chan, Mr. Gary Chan, Chan Chak Man (a brother of Mr. Simon Chan), Mr. Edmond Chan and Ms. Amanda Chan, in each case at the then par value of HK\$100 per share. After the allotments, Simon & Sons was owned as to 62.5% by Mr. Simon Chan, 15% by Mr. Gary Chan, 10% by Mr. Chan Chak Man, 7.5% by Mr. Edmond Chan and 5% by Ms. Amanda Chan.

HISTORY AND DEVELOPMENT

On 6 March 1996, to realise his investment in Simon & Sons, Mr. Chan Chak Man transferred 5,000 shares, representing 10% of the then issued share capital of Simon & Sons, to Mr. Simon Chan at a consideration of HK\$4,800,000, which was determined based on arm's length negotiation between Mr. Simon Chan and Mr. Chan Chak Man with reference to the investment cost incurred by Mr. Chan Chak Man and his contributions to our Group. Such consideration was fully settled. On 20 March 1996, Mr. Simon Chan transferred 4,000 shares, 2,000 shares, 2,500 shares and 2,500 shares to Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan (a daughter of Mr. Simon Chan) at a consideration of HK\$1,920,000, HK\$960,000, HK\$1,200,000 and HK\$1,920,000, respectively. Such considerations were arrived at after arm's negotiations between the said parties with reference to the then asset value of Simon & Sons, the business prospect of Simon & Sons and the management role of Mr. Gary Chan, Mr. Edmond Chan and Ms. Amanda Chan in our Group. Such considerations were fully settled. Following the said share transfers, the shareholding structure of Simon & Sons was as follows:

Name of shareholder	No. of shares	Shareholding percentage
Mr. Simon Chan	25,250	50.5%
Mr. Gary Chan	11,500	23.0%
Mr. Edmond Chan	5,750	11.5%
Ms. Amanda Chan	5,000	10.0%
Ms. Chrissy Chan	<u>2,500</u>	<u>5.0%</u>
Total:	<u>50,000</u>	<u>100.00%</u>

On 2 August 2003, it was resolved by the then shareholders of Simon & Sons that a sum of HK\$5,000,000, being part of the then retained profit recorded in the profit and loss account of Simon & Sons, was capitalised and applied as payment in full for the allotment and issue of 25,250 shares, 11,500 shares, 5,750 shares, 5,000 shares and 2,500 shares to Mr. Simon Chan, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, respectively, at the then par value of HK\$100 per share for distribution. Following such allotments and distribution, the shareholding structure of Simon & Sons was as follows:

Name of shareholder	No. of shares	Shareholding percentage
Mr. Simon Chan	50,500	50.5%
Mr. Gary Chan	23,000	23.0%
Mr. Edmond Chan	11,500	11.5%
Ms. Amanda Chan	10,000	10.0%
Ms. Chrissy Chan	<u>5,000</u>	<u>5.0%</u>
Total:	<u>100,000</u>	<u>100.0%</u>

HISTORY AND DEVELOPMENT

Entrustment arrangement

On 10 February 2013, as a family business succession arrangement, Mr. Simon Chan reached an agreement with Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan on the following entrustment arrangement over 50.5% of shareholding interests in Simon & Sons (the “**Entrustment Arrangement**”):

- With effect from 10 February 2013, Mr. Simon Chan held 50.5% shareholding interests in Simon & Sons (the “**Entrusted Shares**”) on trust in favour of Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan (the “**Beneficiaries**”) pursuant to the Entrustment Arrangement, details of which are set out below:

Name of Shareholder	Beneficial interests in Simon & Sons before the Entrustment Arrangement	Number of Entrusted Shares	Beneficial interests in Simon & Sons after the Entrustment Arrangement
Mr. Simon Chan	50,500 shares (50.5%)	–	–
Mr. Gary Chan	23,000 shares (23%)	22,000 shares (22%)	45,000 shares (45%)
Mr. Edmond Chan	11,500 shares (11.5%)	16,500 shares (16.5%)	28,000 shares (28%)
Ms. Amanda Chan	10,000 shares (10%)	8,000 shares (8%)	18,000 shares (18%)
Ms. Chrissy Chan	5,000 shares (5%)	4,000 shares (4%)	9,000 shares (9%)

- Under the Entrustment Arrangement, with effect from 10 February 2013, Mr. Simon Chan held the Entrusted Shares as a bare trustee, that is to say:
 - (i) the Beneficiaries were entitled to exercise all the shareholder’s rights of and control over their respective Entrusted Shares, including the right to exercise the voting powers in general meetings of Simon & Sons and the right to receive any dividends declared attributable to the Entrusted Shares;
 - (ii) Mr. Simon Chan as a bare trustee was required to exercise the voting rights attached to the Entrusted Shares according to the direction of the Beneficiaries. He did not exercise the voting rights in general meetings of Simon & Sons for his own account;
 - (iii) Mr. Simon Chan was not entitled to receive any dividend attributable to the Entrusted Shares since 10 February 2013; and
 - (iv) each of the Beneficiaries has retained control over the right to deal in and/or dispose of their respective Entrusted Shares by keeping the undated instrument of transfer and bought and sold notes in respect of their own Entrusted Shares duly signed by Mr. Simon Chan as transferor.

HISTORY AND DEVELOPMENT

- Each of Mr. Simon Chan and the Beneficiaries confirmed that the Entrustment Arrangement mentioned above has remained in place since the commencement of the Track Record Period and for the most recent audited financial year ended 31 March 2016 and immediately prior to completion of the Reorganisation. The Entrusted Shares have remained registered in Mr. Simon Chan's name throughout the said period for the following reasons:
 - (i) Mr. Simon Chan and the Beneficiaries fully understand the arrangement under the Entrusted Arrangement. Based on the mutual trust among all parties, the formal transfer of title to the Entrusted Shares to the relevant Beneficiaries did not seem to be imminently necessary at that point of time;
 - (ii) Mr. Gary Chan, Mr. Edmond Chan and Ms. Amanda Chan, being the core management of our Group, have contemplated the feasibility of seeking a listing on the Stock Exchange at the time and noted the ownership continuity and control requirement as one of the qualifications of listing under the Listing Rules;
 - (iii) the Beneficiaries considered it necessary to take a vigilant approach and decided not to effect immediate transfer of legal title to the 50.5% shareholding in Simon & Sons to the Beneficiaries until professional advice is sought and clearance from the Stock Exchange is obtained prior to the application for Listing.
- To formalise the Entrustment Arrangement, on 6 June 2016, Mr. Simon Chan and the Beneficiaries entered into a confirmatory deed to confirm the terms of the Entrustment Arrangement as mentioned above.

Immediately before the Reorganisation, the beneficial ownership structure of Simon & Sons is as follows:

Name of shareholder	No. of shares	Shareholding percentage
Mr. Gary Chan	45,000	45%
Mr. Edmond Chan	28,000	28%
Ms. Amanda Chan	18,000	18%
Ms. Chrissy Chan	<u>9,000</u>	<u>9%</u>
Total:	<u>100,000</u>	<u>100%</u>

HISTORY AND DEVELOPMENT

Simon & Sons (Macau)

Simon & Sons (Macau) was incorporated on 19 April 2002 with a registered capital of MOP200,000 and its principal activities are foundation works and pre-loading works in Macau.

As at the date of its incorporation, Simon & Sons (Macau) was held by Simon & Sons and Mr. Wong Chung Seng. Simon & Sons and Mr. Wong Chung Seng held a quota of MOP190,000 and MOP10,000 in Simon & Sons (Macau), respectively, representing 95% and 5% of its registered capital, respectively. On 9 October 2002, Simon & Sons divided its quota into two and assigned a quota of MOP30,000 to Mr. Wong Chung Seng. On 10 January 2003, Simon & Sons further divided its quota into two quotas and assigned a quota of MOP10,000 to Mr. Lui Shun Wa Alexander (our financial controller). Such arrangement was primarily a trust arrangement among Simon & Sons, Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander on Simon & Son (Macau) mainly for administrative convenience. Pursuant to a power of attorney dated 19 May 2016 executed by, among others, Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander as the holder of the quota of MOP40,000 and the holder of the quota of MOP10,000, respectively, each of Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander confirmed that since the respective dates each of Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander held his quota in Simon & Son (Macau), he had granted all his powers relating to (a) the social rights and (b) his quota of MOP40,000 (in the case of Mr. Wong Chung Seng) or MOP10,000 (in the case of Mr. Lui Shun Wa Alexander) in Simon & Sons (Macau), including the powers to enable the attorney to assign his quota of MOP40,000 (in the case of Mr. Wong Chung Seng) or MOP10,000 (in the case of Mr. Lui Shun Wa Alexander) into its own name, in favour of Simon & Sons. For the purpose of streamlining the corporate structure of our Group, on 19 May 2016, Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander transferred their quota of MOP40,000 and MOP10,000, respectively, to Simon & Sons. Following such transfer, the power of attorney issued by Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander on 19 May 2016 ceased to be valid as Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander were no longer the owner of their quota in Simon & Sons (Macau). Based on the advice of our Macau legal adviser, our Directors confirm that the power of attorney granted by each of Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander in favour of Simon & Sons formed an irrevocable act and could not be revoked by each of Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander without the consent of Simon & Sons. Simon & Sons has beneficially owned the entire registered capital of Simon & Sons (Macau) and Simon & Sons (Macau) is wholly and beneficially owned by Simon & Sons.

Good Idea

Good Idea was incorporated in Hong Kong with limited liability on 30 June 2006. On the date of incorporation, one ordinary share with the then par value of HK\$1.00 was allotted and issued to the initial subscriber to its memorandum and articles of association. On 25 July 2006, the initial subscriber transferred its one share in Good Idea to Mr. Gary Chan at the then par value, and 4,999 and 5,000 ordinary shares in Good Idea were allotted and issued to Mr. Gary Chan and Simon & Sons at the then par value, respectively, on the same day. Immediately before and after the Reorganisation, Good Idea was and is beneficially owned as to 50% by Mr. Gary Chan and 50% by Simon & Sons. Good Idea is accounted as a subsidiary of our Company. Good Idea has 50% equity interest in Giga-tech which was accounted as a joint venture. As at the Latest Practicable Date, each of Good Idea and Giga-tech did not have any business activity and will be de-registered in accordance with the Companies Ordinance after Listing.

HISTORY AND DEVELOPMENT

New Champion

New Champion was incorporated in Hong Kong with limited liability on 3 June 2010. On the date of incorporation, one ordinary share with the then par value of HK\$1.00 was allotted and issued to the initial subscriber to its memorandum and articles of association. On 20 September 2010, the initial subscriber transferred its one share in New Champion to Mr. Gary Chan at the then par value. On 4 October 2010, 4,999 and 5,000 ordinary shares in New Champion were allotted and issued to Mr. Gary Chan and Simon & Sons at the then par value, respectively. Immediately before and after the Reorganisation, New Champion was and is beneficially owned as to 50% by Mr. Gary Chan and 50% by Simon & Sons. New Champion is accounted as a subsidiary of our Company. As at the Latest Practicable Date, New Champion did not have any business activity and will be de-registered in accordance with the Companies Ordinance after Listing.

Vanbo Engineering

Vanbo Engineering was incorporated in Hong Kong with limited liability on 18 February 1993. On the date of incorporation, Vanbo Engineering allotted and issued one share and one share to the initial subscribers, Dutsun Court Company Limited (“**Dutsun**”) and Canway Secretarial Services Co. Ltd. (“**Canway**”) (each an independent third party), respectively, at the then par value of HK\$1.00 per Share. On 29 April 1993, Dutsun transferred to Mr. Edmond Chan and Canway transferred to Mr. Ku To Fai Lysander, an independent third party, their respective one share in Vanbo Engineering at the then par value of HK\$1.00 per Share. In January 1999, Mr. Ku To Fai Lysander transferred one share to Ms. Sung Chi Lai Cora at a consideration of HK\$1.00. Ms. Sung Chi Lai Cora, who is the spouse of Mr. Edmond Chan, held one share on trust in favour of Mr. Edmond Chan. Such trust arrangement was to comply with the then requirement under the Predecessor Companies Ordinance that a limited liability company incorporated in Hong Kong must have at least two shareholders (such requirement has been abolished). Vanbo Engineering remained dormant until 2013 when Vanbo Engineering commenced business as a subcontractor focusing on piling projects and provision of loading test service in Hong Kong. Immediately before the Reorganisation, Vanbo Engineering was beneficially and wholly owned by Mr. Edmond Chan.

Concert party arrangement

Pursuant to a deed of confirmation dated 6 June 2016 (the “**Deed**”), Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan (the “**Concert Parties**”) have agreed, confirmed and ratified that since they became interested in and possessed voting rights in Simon & Sons and during the Track Record Period up to the date of the Deed, they, whether by themselves or via any corporate vehicles, have been cooperating and acting in concert (for purpose of the Takeovers Code) with one another in respect of all material management matters, voting decision and/or business decision relating to Simon & Sons, Simon & Sons (Macau), Vanbo Engineering, Good Idea and New Champion required to be approved by shareholders under the articles of association of Simon & Sons, Simon & Sons (Macau), Vanbo Engineering, Good Idea and New Champion (including but not limited to financial and operation policy, declaration of dividends, annual budget, execution of material contracts and investment and appointment of Directors, senior management and employees relating to our Group), and they had first communicated, discussed and come to a unanimous decision in all shareholders’ meetings and had reached the unanimous decision and resolution in accordance with the consensus achieved among them.

HISTORY AND DEVELOPMENT

The Concert Parties further undertake with each other that following the date of the Deed and up to the date of Listing, among other things, (i) when exercising their respective voting rights at the shareholders' meetings of Simon & Sons, Simon & Sons (Macau), Vanbo Engineering, Good Idea and New Champion and, if applicable, through our Company and/or other corporate vehicle, they shall vote, or procure any entities which were entitled to vote at the shareholders' meetings to vote, as the case may be, unanimously in accordance with the consensus achieved among themselves; and (ii) prior to voting on any resolutions in shareholders' meeting and board meeting of our Company and, if applicable, through our Company and/or other corporate vehicle, they shall discuss the relevant matters with the other with a view to reaching consensus and unanimous vote.

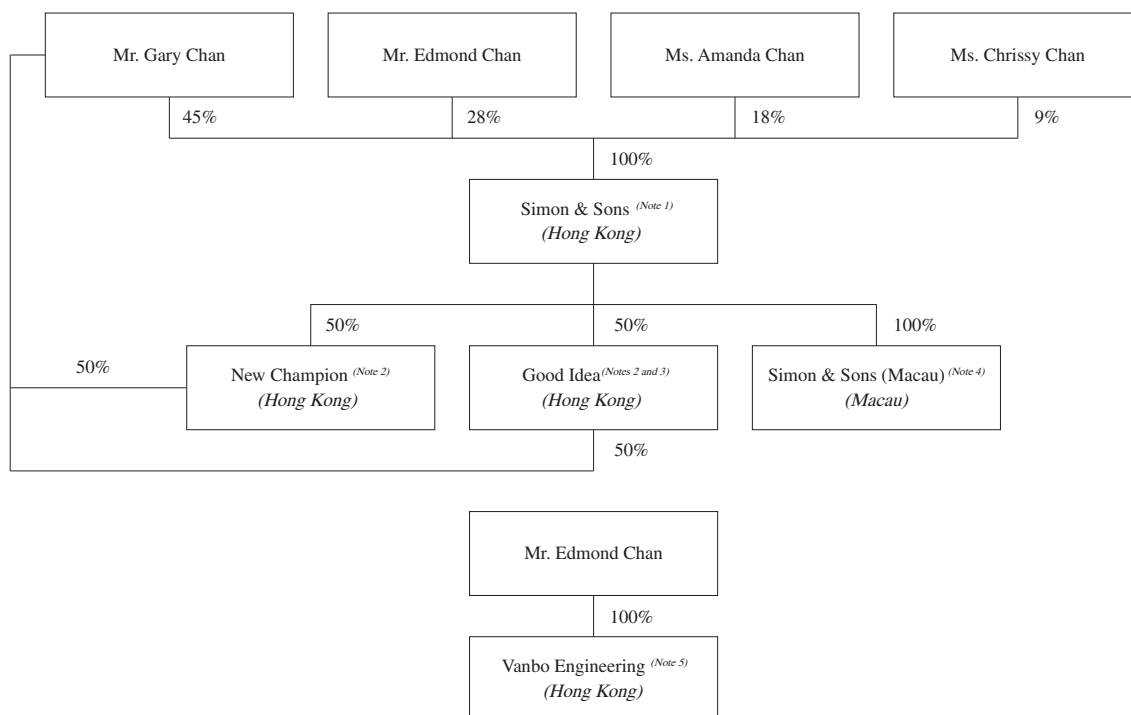
With respect to the businesses of Vanbo Engineering, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan confirmed that notwithstanding that Mr. Edmond Chan is the beneficial owner of Vanbo Engineering, over the course of its operating history, Mr. Edmond Chan, when exercising his voting right as the shareholder of Vanbo Engineering, has consulted and will continue to consult other Concert Parties, namely, Mr. Gary Chan, Ms. Amanda Chan and Ms. Chrissy Chan to reach unanimous consensus among themselves on such matters which require shareholder's approval of Vanbo Engineering. Each of the Concert Parties has been acting in concert with each other in decision-making and implementing the management and operation of Vanbo Engineering to ensure that the business of Vanbo Engineering is heading to a direction consistent with our Group's business strategy as a whole. Furthermore, each of the Concert Parties shared the operating results in Vanbo Engineering as business beneficiaries. Where there was or is any suitable business opportunity or project for Vanbo Engineering, Mr. Edmond Chan has consulted and will continue to consult with other Concert Parties to reach unanimous consensus as to whether Vanbo Engineering should participate in those new business opportunities and projects in view of our Group's business strategies as a whole. Mr. Edmond Chan and other Concert Parties have centralised, and shall continue to centralise, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of Vanbo Engineering.

In view of the concert party arrangement stated above, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite are regarded as a group of Controlling Shareholders for purpose of the Listing Rules. The Concert Parties, who are close family members and are presumed to be acting in concert under the Takeovers Code, confirm that the above concert party arrangement will continue to consolidate their control of our Group after Listing. The Concert Parties also agree that the non-disposal undertakings to be given by the Controlling Shareholders will be given as a group. Please refer to the section headed "Underwriting – Underwriting arrangements and expenses – Undertakings to the Stock Exchange under the Listing Rules" in this prospectus.

HISTORY AND DEVELOPMENT

REORGANISATION

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



Notes:

1. The above chart shows the beneficial ownership structure of Simon & Sons. Mr. Simon Chan, who is the father of Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, was entrusted to hold 22%, 16.5%, 8% and 4% shareholding interests in Simon & Sons in favour of Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, respectively. Details of such entrustment arrangement was set out in the paragraph headed “Our corporate history – Simon & Sons – Entrustment arrangement” in this section.
2. Each of New Champion and Good Idea, which had no active business as at the Latest Practicable Date, was owned as to 50% by Simon & Sons and 50% by Mr. Gary Chan. New Champion and Good Idea will be deregistered in accordance with the Companies Ordinance after the Listing.
3. Good Idea has 50% equity interest in Giga-tech which was accounted as a joint venture.
4. The above chart shows the beneficial ownership of Simon & Sons (Macau). Simon & Sons (Macau) is wholly and beneficially owned by Simon & Sons. Pursuant to an irrevocable power of attorney dated 19 May 2016, each of Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander granted all powers relating to the social rights and each of his quota in Simon & Sons (Macau), including the powers to enable the attorney to assign his quota into its own name, in favour of Simon & Sons since the date of incorporation of Simon & Sons (Macau). On 19 May 2016, Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander transferred their quota of MOP40,000 and MOP10,000, respectively, to Simon & Sons for the purpose of streamlining the corporate structure of our Group.

HISTORY AND DEVELOPMENT

5. The above chart shows the beneficial ownership structure of Vanbo Engineering. Ms. Sung Chi Lai Cora, who is Mr. Edmond Chan's spouse, holds 50% interest in Vanbo Engineering as a bare trustee for Mr. Edmond Chan. Hence, Mr. Edmond Chan is the sole beneficial owner of Vanbo Engineering.

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group. On 7 October 2016, our Company completed the Reorganisation and became the holding company of our Group. The Reorganisation involved the following major steps:

(a) Incorporation of Creative Elite, Favourable Year and Rainbow Republic

- (i) Creative Elite was incorporated in the BVI on 28 January 2016. On 22 March 2016, one fully paid ordinary share of Creative Elite was allotted and issued to Mr. Gary Chan. On 7 October 2016, 44, 28, 18 and 9 fully paid ordinary shares of Creative Elite were allotted and issued to Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, respectively, at a total consideration of US\$99.00 (i.e. US\$1.00 per share). After the said allotments, Creative Elite is owned as to 45% by Mr. Gary Chan, as to 28% by Mr. Edmond Chan, as to 18% by Ms. Amanda Chan and as to 9% by Ms. Chrissy Chan.
- (ii) Favourable Year was incorporated in the BVI on 3 March 2016 and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. One fully paid ordinary share of Favourable Year, representing the entire issued share of Favourable Year, was allotted and issued to Creative Elite on 22 March 2016 at par value.
- (iii) Rainbow Republic was incorporated in the BVI on 16 December 2015 and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. One fully paid ordinary share of Rainbow Republic, representing the entire issued share of Rainbow Republic, was allotted and issued to Mr. Gary Chan on 15 January 2016 at par value. The said share was transferred to Favourable Year on 29 March 2016 at a consideration of US\$1.00.

(b) Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2016. The authorised share capital on the date of incorporation of our Company is HK\$380,000.00 consisting of 38,000,000 shares with a par value of HK\$0.01 each. On the date of incorporation, one Share fully paid at par was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was transferred to Mr. Gary Chan on the same day. Mr. Gary Chan later transferred one Share to Creative Elite at a consideration of HK\$0.01 on 6 June 2016.

HISTORY AND DEVELOPMENT

(c) Transfer of shares in Simon & Sons (Macau)

On 19 May 2016, Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander transferred their quota of MOP40,000 and MOP10,000, respectively, to Simon & Sons for the purpose of streamlining the corporate structure of our Group. The power of attorney dated 19 May 2016 issued by Mr. Wong Chung Seng and Mr. Lui Shun Wa Alexander ceased to be valid as each of them was no longer the registered shareholder of their quota in Simon & Sons (Macau). After the said transfers, Simon & Sons (Macau) became legally and beneficially owned by Simon & Sons.

(d) Acquisition of Simon & Sons and Vanbo Engineering by Favourable Year

- (i) On 7 October 2016, Favourable Year acquired 50,500, 23,000, 11,500, 10,000 and 5,000 ordinary shares in Simon & Sons (representing its entire issued shares in aggregate) from Mr. Simon Chan, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, respectively, and in consideration of such transfers, Favourable Year issued and allotted an aggregate of 99 shares in Favourable Year, credited as fully paid at par, to Creative Elite (as directed by Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan). After the aforesaid share transfers, Simon & Sons became a wholly-owned subsidiary of Favourable Year.
- (ii) On 7 October 2016, Favourable Year acquired one and one ordinary share in Vanbo Engineering (representing its entire issued shares in aggregate) from Mr. Edmond Chan and Ms. Sung Chi Lai Cora, respectively, and in consideration of such transfers, Favourable Year issued and allotted an aggregate of 100 shares in Favourable Year, credited as fully paid at par, to Creative Elite (as directed by Mr. Edmond Chan). After the aforesaid share transfers, Vanbo Engineering became a wholly-owned subsidiary of Favourable Year.

(e) Acquisition of Favourable Year by our Company

On 7 October 2016, our Company acquired 200 shares in Favourable Year, which represents its then entire issued shares, from Creative Elite, and in consideration of such transfer, 9,999 Shares were allotted and issued to Creative Elite, credited as fully paid at par. After the aforesaid share transfer, Favourable Year became a wholly-owned subsidiary of our Company.

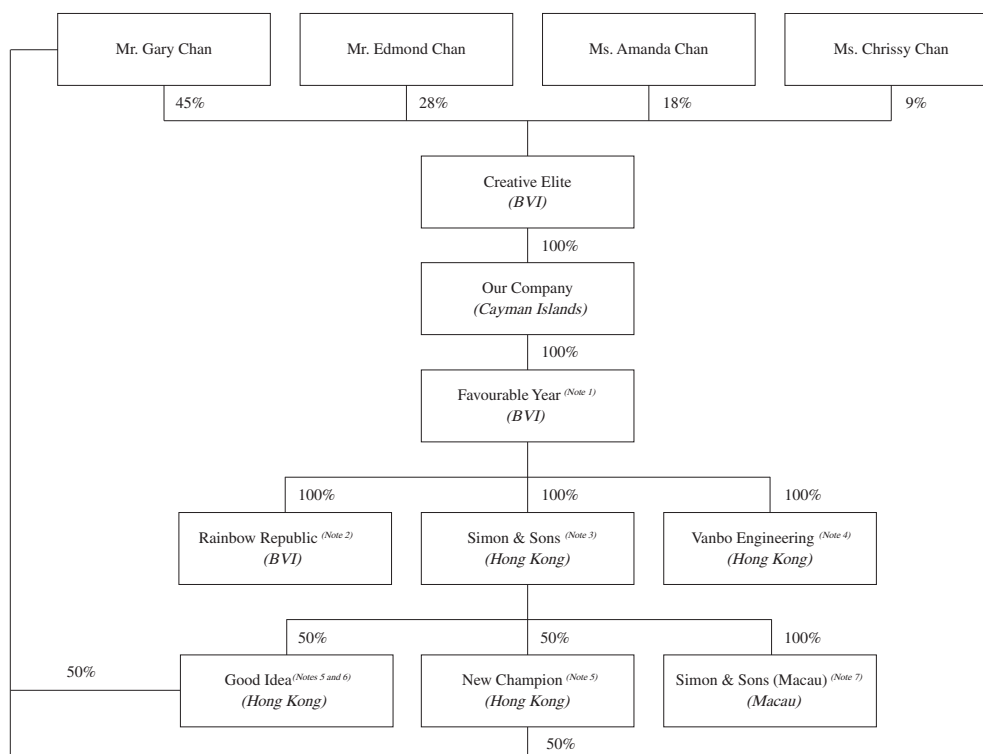
Immediately after completion of the share transfer referred to in item (e) above, our Company became the holding company of our Group.

The change of shareholdings in Simon & Sons, Simon & Sons (Macau) and Vanbo Engineering pursuant to the Reorganisation is not subject to any approval or permit from any government authorities in Hong Kong and Macau.

HISTORY AND DEVELOPMENT

OUR GROUP STRUCTURE

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

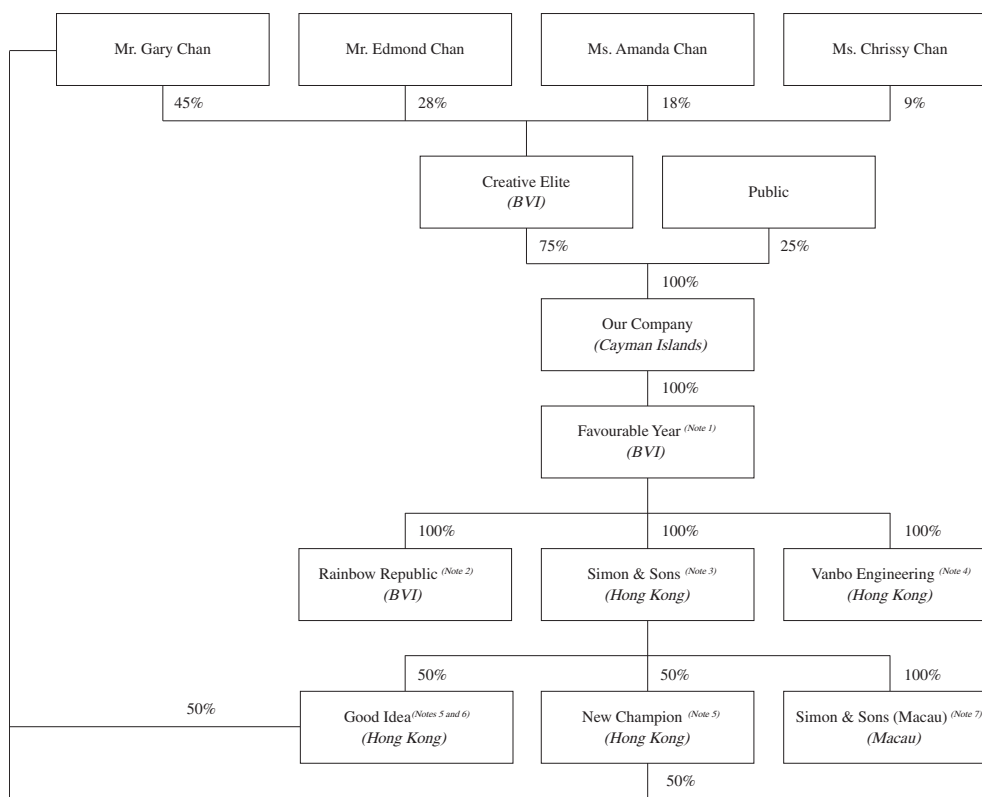


Notes:

1. Favourable Year is an investment holding company incorporated in the BVI.
2. Rainbow Republic, a company incorporated in the BVI, holds certain intellectual property rights of our Group (including our trademark).
3. Simon & Sons, our principal subsidiary, principally undertakes foundation works in Hong Kong.
4. Vanbo Engineering undertakes foundation works and provision of loading test service in Hong Kong.
5. Each of Good Idea and New Champion did not have any business activity as at the Latest Practicable Date and will be de-registered in accordance with the Companies Ordinance after the Listing.
6. Good Idea has 50% equity interest in Giga-tech which was accounted as a joint venture.
7. Simon & Sons (Macau) principally undertakes foundation works in Macau.

HISTORY AND DEVELOPMENT

The following chart sets forth our corporate and shareholding structure immediately after completion of the Share Offer and the Capitalisation Issue (without taking account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme):



Notes:

1. Favourable Year is an investment holding company incorporated in the BVI.
2. Rainbow Republic, a company incorporated in the BVI, holds certain intellectual property rights of our Group (including our trademark).
3. Simon & Sons, our principal subsidiary, principally undertakes foundation works in Hong Kong.
4. Vanbo Engineering principally undertakes foundation works and provision of loading test service in Hong Kong.
5. Each of Good Idea and New Champion did not have any business activity as at the Latest Practicable Date and will be de-registered in accordance with the Companies Ordinance after the Listing.
6. Good Idea has 50% equity interest in Giga-tech which was accounted as a joint venture.
7. Simon & Sons (Macau) principally undertakes in foundation works in Macau.

BUSINESS

OVERVIEW

We provide foundation services in Hong Kong and Macau. We have over 46 years of experience in undertaking foundation works in Hong Kong since 1970.

We are registered as a specialist contractor in the categories of foundation works and site formation works with the Buildings Department and are registered on the Approved Specialist List in the category of land piling (Group II) maintained by WBDB. We are also admitted onto the Housing Authority's list of piling contractors in the "percussive piling" category.

Our foundation works are principally undertaken by Simon & Sons, our key operating subsidiary. The scope of foundation works undertaken by us mainly includes piling construction (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services). For the three years ended 31 March 2016 and the four months ended 31 July 2016, our Group derived revenue of approximately HK\$464.1 million, HK\$143.1 million, HK\$464.3 million and HK\$116.8 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, we completed 24 foundation projects with a total contract sum of approximately HK\$1,126 million, which consisted of 19 Hong Kong-based projects and five Macau-based projects. As at the Latest Practicable Date, we had 18 projects on hand (including contracts in progress as well as contracts that awarded to us but not yet commenced) with a total awarded contract sum of approximately HK\$623.7 million, of which approximately HK\$212.7 million has been recognised during the Track Record Period, and approximately HK\$404.5 million is expected to be recognised as revenue for the year ending 31 March 2017. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Further details of our projects on hand are set out in the paragraph headed "Our business model and our projects – Our projects – Projects on hand" in this section.

Our Group principally provides foundation services to both private sector, which are mostly building related projects, and the public sector, comprising building and infrastructure related projects. Private sector projects of our Group mainly consist of projects commissioned by privately-owned property developers, construction companies and charitable organisations, whereas public sector projects of our Group mainly consist of projects commissioned by the Government (including the Architectural Services Department, Highways Department and Housing Authority) and a railway operator in Hong Kong. During the Track Record Period, our Group generated approximately 88.9%, 66.8%, 62.2% and 48.4% of our revenue from the private sector projects, respectively, with the remaining revenue of approximately 11.1%, 33.2%, 37.8% and 51.6% from the public sector projects, respectively.

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our five largest customers accounted for approximately 92.1%, 68.8%, 92.1% and 91.1% of our revenue, respectively, whereas our largest customer accounted for approximately 50.0%, 19.0%, 40.4% and 36.5% of our revenue, respectively.

BUSINESS

We carry out foundation works either as a main contractor or a subcontractor, depending on our customers' requirements, project nature, our assessment on profitability, project pipeline and availability of internal resources. The table below sets out a breakdown of our Group's turnover by our role as main contractor or subcontractor during the Track Record Period:

	2014		For the year ended 31 March				For the four months ended 31 July 2016	
	HK\$'000	%	2015	2016	2016		2016	%
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	78,082	16.8	34,601	24.2	281,438	60.6	55,570	47.6
Subcontractor	<u>386,017</u>	<u>83.2</u>	<u>108,481</u>	<u>75.8</u>	<u>182,865</u>	<u>39.4</u>	<u>61,219</u>	<u>52.4</u>
	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

During the Track Record Period, out of the 24 foundation projects completed by us, 19 projects were located in Hong Kong and five projects were located in Macau including notably two luxury hotel resort projects in Macau) with a total revenue of approximately HK\$340.7 million recognised during the Track Record Period. Since completion of these projects, we have not undertaken any new project in Macau. Simon & Son (Macau), our operating subsidiary in Macau, remains registered with the DSSOPT as a contractor and is eligible to act as a main contractor or subcontractor for carrying out foundations and related works in Macau. We will continue to assess and explore suitable business opportunities in Macau.

Going forward, it is our Group's strategy to focus our business in Hong Kong. According to the Ipsos Report, it is estimated that the revenue of the foundation contracting industry in Hong Kong will grow from approximately HK\$24.5 billion in 2016 to approximately HK\$31.4 billion in 2020, at a CAGR of about 6.4%. In view of the growth drivers such as the expected increase in demand for residential and commercial buildings as well as public infrastructure projects, our Directors believe that there will be more opportunities for our foundation business in both private and public sectors. Riding on our operational resources, experience, licences and qualifications, our Directors believe that we are well-positioned to capture the growing demand for foundation services in Hong Kong. For details on the market drivers relating to our Group, please refer to the section headed "Industry overview – Competitive landscape – Market growth drivers of the foundation industry in Hong Kong" in this prospectus.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors in the Hong Kong foundation industry:

BUSINESS

Well established presence and proven track record in the foundation industry in Hong Kong

We have over 46 years of experience in undertaking foundation works in Hong Kong. We are capable to carry out a wide range of foundation works including piling construction (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services).

We have continuously strengthened our capability to capture business opportunities through acquiring and expanding our fleet of piling equipment and expanding our project portfolio, and building up our professional qualifications by obtaining various registrations and certifications from relevant government bodies/public organisations. During the Track Record Period and up to the Latest Practicable Date, we completed 24 foundation projects in Hong Kong and Macau. As at the Latest Practicable Date, we had 18 projects on hand (including contracts in progress as well as contracts that have been awarded to us but not yet commenced), details of which are set out in the paragraph headed “Our business model and our projects – Our projects – Projects on hand” in this section. In addition, we are registered as a specialist contractor in the categories of foundation works and site formation works with the Buildings Department. We are also registered on the Approved Specialist List in the category of land piling (Group II) maintained by WBDB which imposes no restriction in respect of contract value for the projects that can be undertaken by us. We are also admitted as one of the nine piling contractors in the “percussive piling” category approved by the Housing Authority which enables us to tender for the Housing Authority’s piling projects.

Over the years, we have established ourselves as a dedicated contractor in the foundation industry consistently achieving customer satisfaction, quality of work and cost control which in turn enables our Group to gain confidence from our customers. We believe we have a good reputation and well-established presence in the Hong Kong foundation industry which are crucial to our future business development.

Experienced and professional management team

Our management team has extensive industry knowledge and project experience in the foundation industry in Hong Kong. Mr. Gary Chan and Mr. Edmond Chan, our executive Directors and our Controlling Shareholders, have over 35 years of experience in the foundation industry. Their experience and extensive knowledge of the foundation industry in Hong Kong enable our Group to understand market dynamism and industry practice for foundation works. Ms. Amanda Chan, our executive Director and one of our Controlling Shareholders, has over 33 years of experience in administration and general management of our Group. Our senior management team, namely, Dr. Chan Wan To, our technical director, Mr. Cheung Ka Ngai, our engineering manager, Mr. Chen Tai Ping, our contracts manager have years of experience in foundation industry in Hong Kong. For details of the qualification and experience of our Directors, senior management, please refer to the section headed “Directors, senior management and employees” in this prospectus. Their qualifications and experience 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.

BUSINESS

Long-term and stable relationship with our major customers, suppliers and subcontractors

We have established a diversified customer base in both private and public sectors. Our customers in the private sector include major property developers, construction companies and other commercial entities whereas our customers in the public sector include different departments of the Government and a railway operator in Hong Kong. Throughout our operating history, we have established long-term relationships with our major customers. Our relationship with our five largest customers during the Track Record Period ranges from one to 41 years. Our relationship with our five largest suppliers and five largest subcontractors range from one to 20 years and two to 12 years, respectively. We believe that our long-term business relationships with our major customers, suppliers and subcontractors have enhanced our market recognition and enabled us to attract more business opportunities.

Possession of a broad range of machinery and equipment suited to carry out various types of foundation projects

We possess our own machinery and equipment for performing different types of foundation works. As at 31 July 2016, our Group had a fleet of machinery with an aggregate acquisition cost of approximately HK\$153.7 million, including crawler cranes, pile drivers, drilling rigs, hydraulic hammers, air compressors, generators, excavators and preboring plants which enable us to carry out projects of different scales and levels of complexity. Please refer to the paragraph headed “Machinery and equipment” in this section for further details of our machinery and equipment. During the Track Record Period, we have acquired 90 units of machinery and equipment including hydraulic hammers, pile drivers, crawler cranes, generators and excavators in the total acquisition cost of approximately HK\$52.5 million. Our Directors believe that our ongoing investment in machinery will enable us to access and deploy more machinery to our projects, which in turn would improve our execution effectiveness and efficiency. Our Directors also believe that our readily deployable fleet of machinery, coupled with our experience, would continue to enhance our competitiveness for carrying out various types of projects.

Our commitment to maintaining high safety standard, quality control, energy management 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 foundation contractors. Our management system was certified to be in accordance with the standard required under ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management), OHSAS 18001:2007 (occupational health and safety management) and ISO 50001:2011 (energy management). Our Directors believe that our effective occupational health, safety, environment management and energy management systems as well as good compliance track record would help reduce our exposure to these claims and improve our overall service quality and profitability.

BUSINESS

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our market position as an established foundation contractor in the foundation industry in Hong Kong and to create long-term shareholder's value. Leveraging our proven track record and good reputation, we plan to expand our market share in the foundation industry in Hong Kong by tendering for more foundation projects in both private sector and public sector. To achieve this business strategy, we plan to acquire additional machinery and equipment, further strengthen our manpower and adhere to prudent financial management as detailed below:

Expanding our market share and competing for more foundation projects

For foundation projects in Hong Kong, it is not uncommon for customers to require contractors to take out surety bonds or directors by a bank or an authorised insurer in the amount of certain percentage (usually up to 10%) of the contract sum to their customers to ensure a contractor's due performance and observance of a contract. The aggregate number and size of projects that we are able to undertake in our business is directly linked to, among others, the amount of our available working capital. The surety bond requirement may result in the lock-up of a portion of our capital during the term of the surety bond and therefore affects our liquidity position. Our Directors believe that the net proceeds from the Share Offer will strengthen our available financial resources, thereby allowing us to undertake more projects by applying a portion of the proceeds for satisfying the surety bonds requirements of our customers and potential customers. As such, we plan to utilise approximately HK\$18.0 million from the proceeds of the Share Offer to meet the surety bonds requirements of our customers for the newly awarded projects. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further details.

Upgrading our fleet of machinery and equipment

To further enhance and optimise our overall efficiency, capacity and technical capability in performing foundation projects of different scale, we intend to acquire additional machinery and equipment with higher efficiency and technical capability. Such machinery upgrade will enhance our competitiveness among foundation contractors. We plan to acquire new pile drivers, crawler cranes, hydraulic hammers and perboring rigs which are more environmentally friendly with better operating efficiency. The expected total capital expenditure for the acquisition of the aforesaid machinery and equipment will be approximately HK\$62.0 million, which will be financed by the proceeds from the Share Offer. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for details on the use of proceeds for acquisition of additional machinery and equipment. Our Directors believe that such machinery upgrade will allow us to: (i) increase our tender success rate due to the immediate availability of relevant machinery and equipment according to tender requirements; (ii) enhance our works efficiency and technical capability; and (iii) increase our flexibility to deploy our resources more efficiently. Our Directors believe that our investments in machinery and equipment will enable us to cater to projects of higher complexity in the future. Our Group will also continue to evaluate the operating condition, effectiveness and efficiency of our machinery and equipment and assess our need for additional machinery and equipment in accordance with our business development.

BUSINESS

Further strengthening our manpower

We consider that a team of strong workforce equipped with appropriate knowledge and experience in operating different types of machinery and equipment and performing foundation works of different scale is crucial to our continuing success. We plan to utilise approximately HK\$6.7 million from the proceeds of the Share Offer to hire a project director and a project manager to enhance our project management capability. We will also intend to provide more internal training to our existing and newly recruited staff on occupational health and safety, machinery and equipment operation and foundation workmanship. In addition, given the shortage of skilled labour in the construction industry in Hong Kong, we intend to maintain competitive market remuneration and enhance fringe benefits for our staff and improve their working environment so as to create a more stabilised workforce. We will also continue and extend our on-going training programs to our staff to improve their skills and their capabilities so that they could perform their work more efficiently and effectively.

Adherence to prudent financial management to ensure sustainable growth and capital sufficiency

We will continue to maintain a prudent financial management strategy in our business operations. Our Directors believe that a prudent financial management in capital commitment could provide reasonable return for shareholders steadily while ensuring our continued growth in the long term. 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 operating cash flow, project expenditures and administrative expenses; and (iv) streamline our operational processes to achieve costs savings, maintenance and other operating costs.

Our Directors believe that by adopting the business strategies as mentioned above, we will be able to (i) efficiently manage our projects on hand and newly awarded projects; (ii) participate in more foundation projects; and (iii) strengthen our project management capability 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 foundation 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 foundation projects in the future.

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

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

BUSINESS

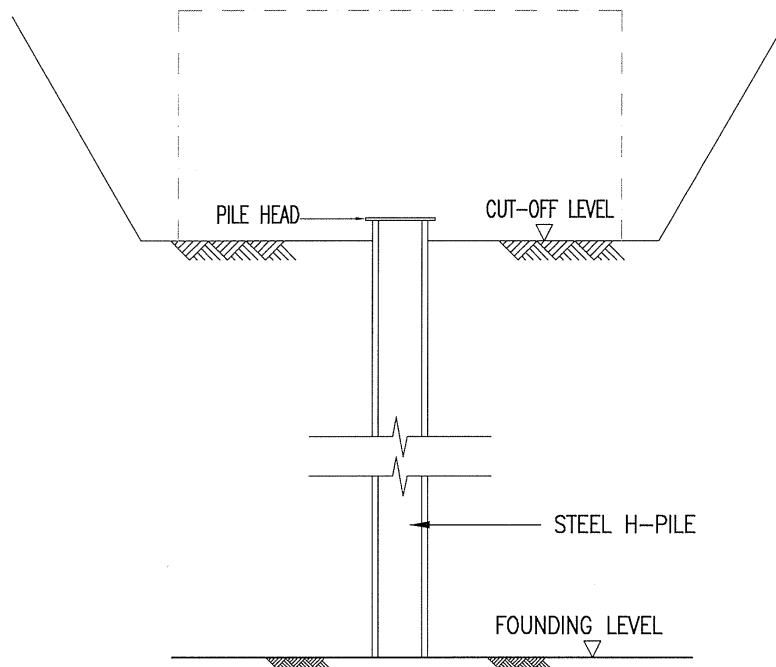
DESCRIPTION OF OUR FOUNDATION WORKS

The major types of foundation works undertaken by us (with illustrative diagram, where applicable) are set out below:

Piling construction

Our piling construction business is our major line of business. Piles are columnar elements, which are used to support a structure by transferring the load of a structure to the strong ground below, such as rock or stronger subsoil. When determining the most appropriate pile type, a number of factors such as ground conditions, nature of loading, effects on surrounding structures and environment, site constraints, safety, cost and programme etc. are considered.

Driven H-pile

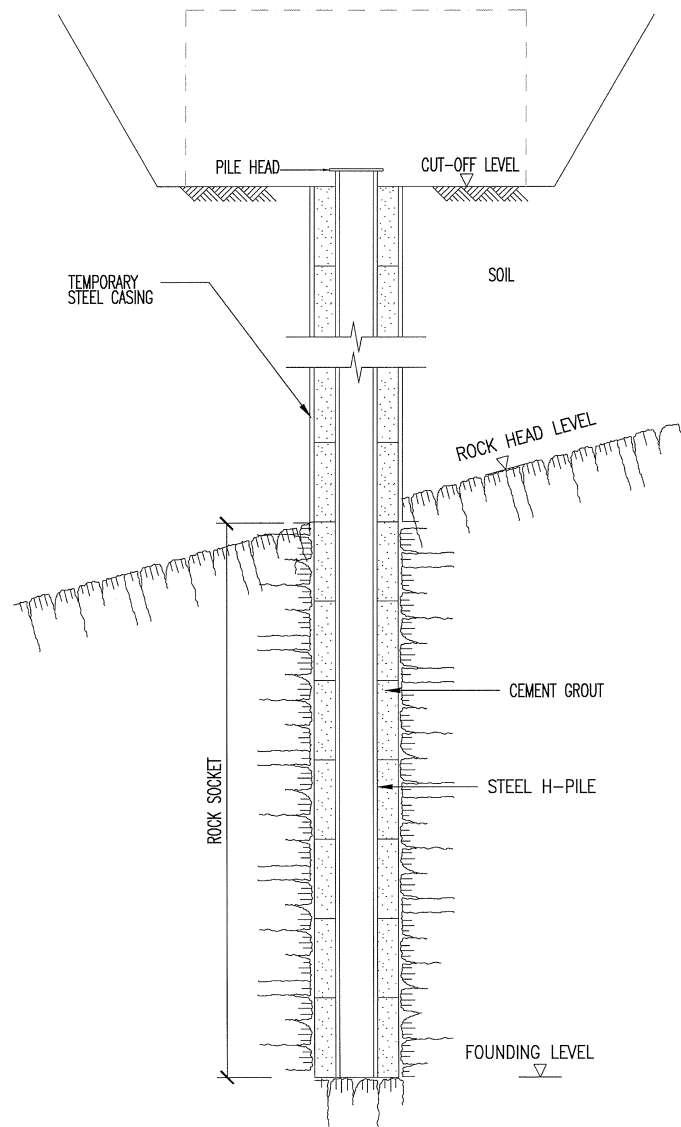


BUSINESS

Driven steel H-piling (which is a type of percussive pilings) works generally involve the driving of steel H-piles to the required depth by direct or indirect hammering or other percussive means, including by the use of hydraulic hammer and/or drop hammer.

Driven H-piles have been widely used in Hong Kong due to the ease of handling and driving. Driven H-piles are a type of “friction pile” that majority of the load bearing capacity from the friction between the pile and soil. The operation space for piling rigs is relatively small and it is applicable to various sizes of development.

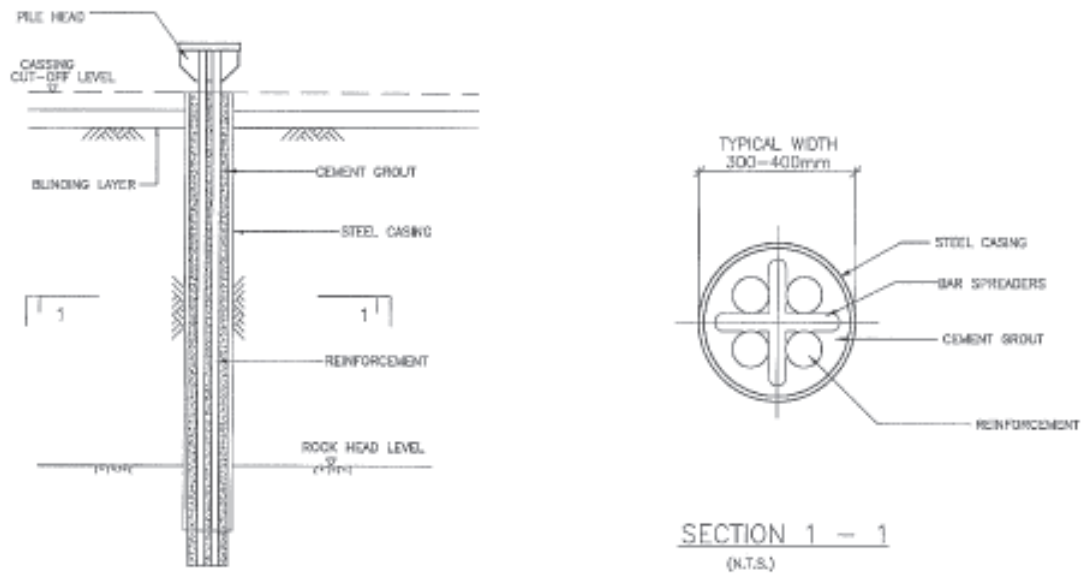
Socketed Steel H-pile



BUSINESS

Socketed steel H-piles (also known as pre-bored socket in rock H-piles) are installed by inserting prefabricated steel H-piles into pre-bored holes to sufficient depth (rock socket) into bedrock, and subsequently grouting the holes with cementitious materials. Drilling machine is used to pre-bore the holes from ground and extend continuously into bedrock. Both the diameter and the depth of the borehole are highly specific to the ground conditions, loading conditions and nature of the construction project. It has the advantages of generating less noise and vibration, therefore causing less nuisance to the public.

Mini pile



Mini piles usually consist of one or a bundle of steel bar respectively encased by cement grout inside a borehole ranging from 219mm to 406mm in diameter. They are normally designed to be socketed into rock and are mainly used in small site area, steep sloping area and for lighter structure. Steel casing are to be provided to support the borehole within the soil and/or fractured rock during drilling operation.

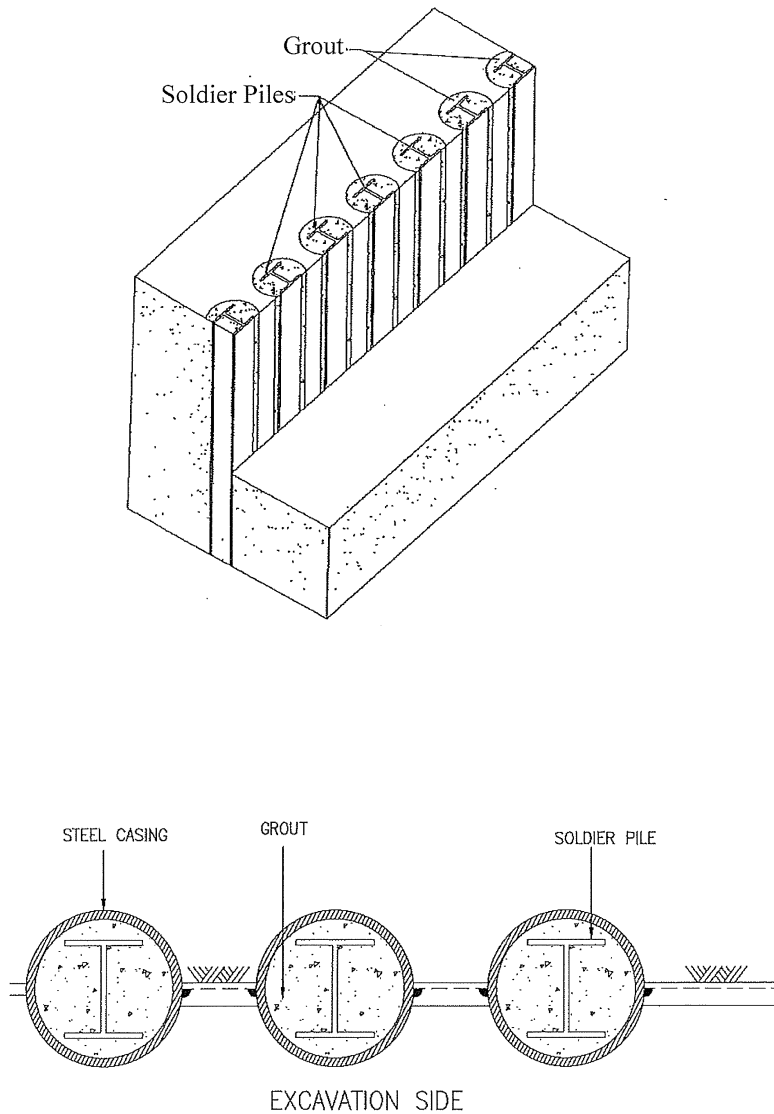
BUSINESS

Soldier pile and pipe pile

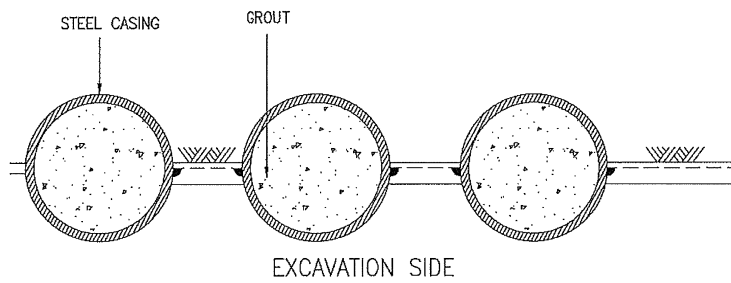
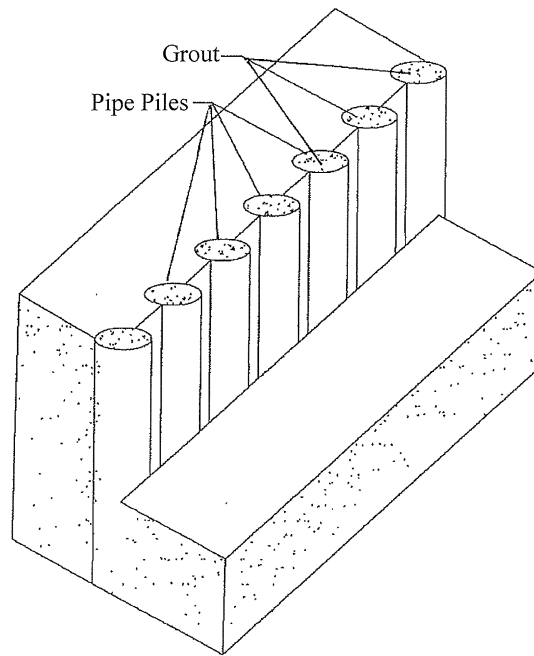
Soldier piles (using steel H section) and pipe piles (using steel tubes) are earth retention element constructed in row around the perimeter of site. They are often used in deep excavations (such as cofferdam, pile caps and basement construction). The scope of soldier piles and pipe piles retaining walls construction works provided by our Group would also include the construction of a grout curtain behind such walls.

The following diagrams illustrate soldier pile and pipe pile:

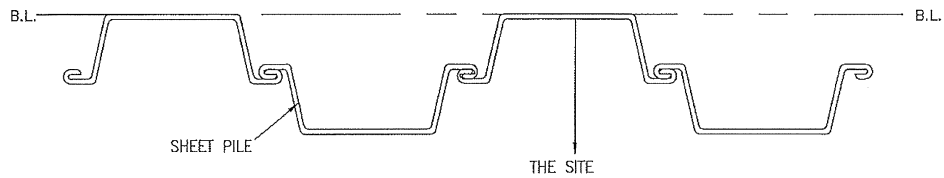
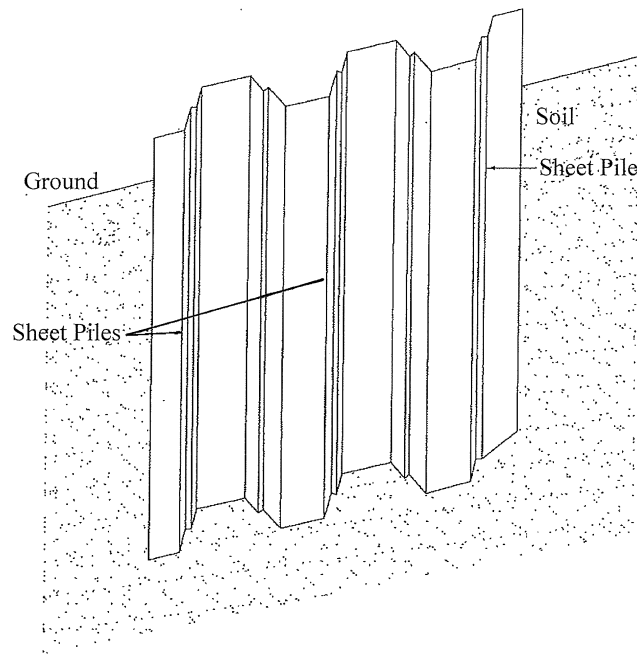
Soldier pile



Pipe pile

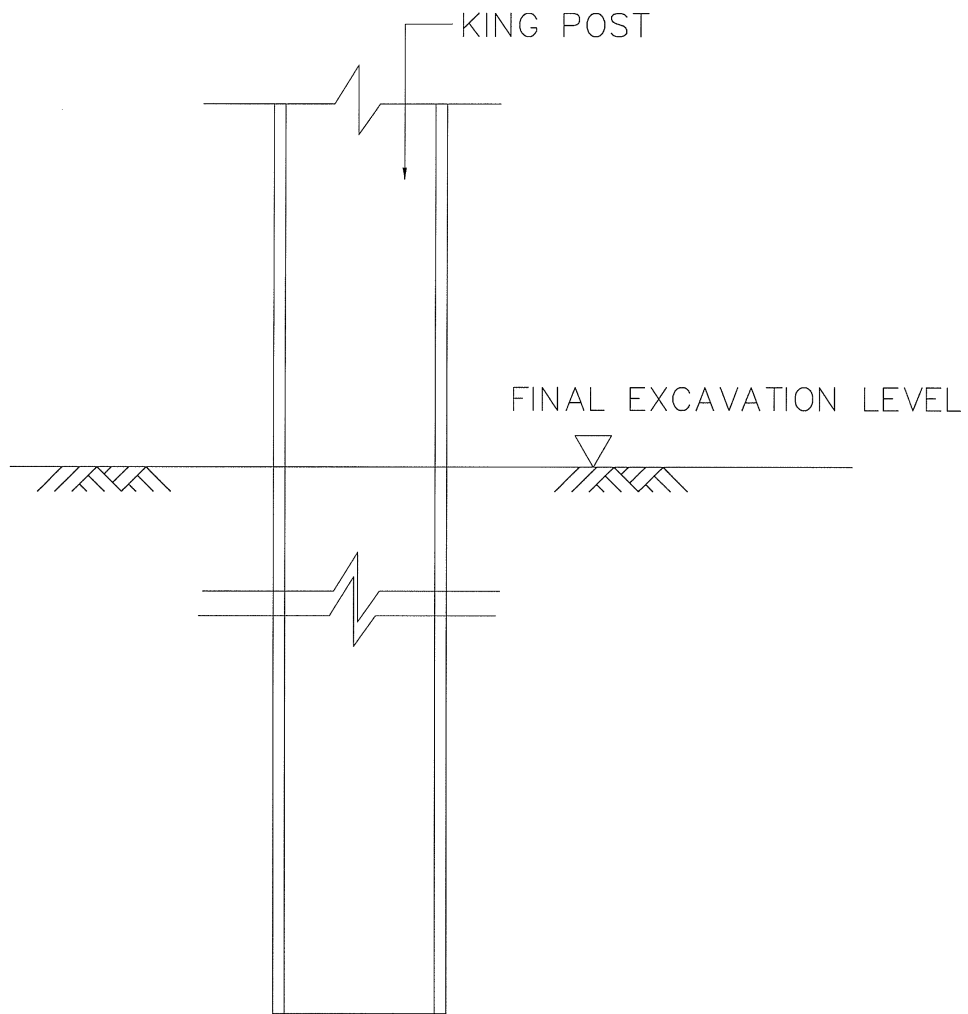


Sheet pile



Sheet piles are thin interlocking profiled steel sheets. They are commonly used as temporary retaining wall or cofferdam to enable subsequent temporary or permanent works, such as excavation for basement or pile caps construction. Sheet piles have the advantages of light weight, easy handling, reusable, easy to adapt to required length (by welding or bolting) and easy installation (by driving or vibrating to required depth).

King post

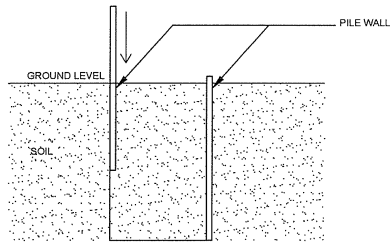


King posts are used as intermediate support for long struts to prevent buckling in excavation for large area. They are driven by hammer to design depth.

ELS works

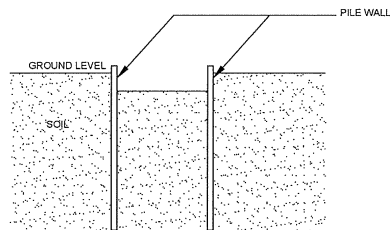
The ELS works undertaken by us are set out below:

Installation of sheet pile wall/pipe pile with lagging wall as temporary retaining wall



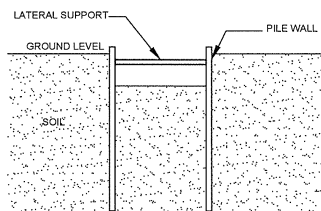
ELS works begin by installing steel sheet pile wall/soldier pile wall/pipe pile wall into the soil for the planned excavation. The steel pile wall is generally used to reduce groundwater inflow and prevent soil from falling into the excavated area. Grouting may be conducted outside and/or underneath the steel pile wall for control of underground water seepage into the excavation area.

Excavation



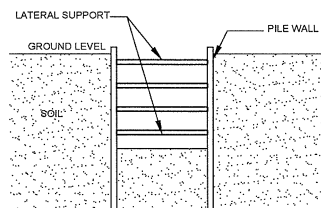
After installing the steel pile wall, excavation will be carried out inside the enclosed area between the steel pile wall.

Installation of lateral support and further excavation



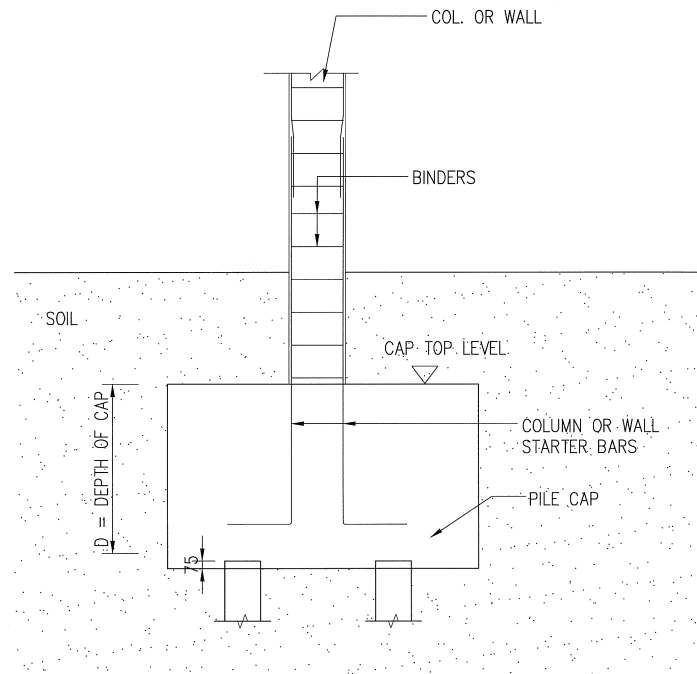
As excavation begins to go below ground level, lateral support is installed to maintain the stability of steel pile wall until reaching the required depth of excavation.

Completion of lateral support work



When excavation reaches the required depth, pile caps construction and substructure construction begin.

Pile cap construction



A pile cap is a thick concrete mat that rests on completed piles to provide a suitable and stable foundation. It usually forms part of the foundation of a building, typically a multi-story building, structure or support base for heavy equipment. The cast concrete pile cap distributes the load of the building into the piles.

ELS works may be carried out beforehand to facilitate pile cap construction works.

Site formation

The purpose of site formation work is to form the site to the required levels or topography for subsequent foundation works, superstructure works and other works such as road and drainage works. Site formation works include clearance of site, forming platform by cutting and filling, site levelling, demolition of existing structures, stabilisation of existing slopes, formation of new slopes, construction of retaining walls and formation of access roads and drainage system.

BUSINESS

Other ancillary services

As our ancillary services, we provide loading test services to our customers as a subcontractor. Generally, after completion of a piling construction project, we may be engaged to carry out loading test to assess and ascertain the constructed piles' depth, quality and ground bearing capacity in order to (i) ascertain the performance of the foundation under load; (ii) establish or justify the design parameters; and (iii) verify the structural integrity of the foundation units. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our revenue attributable to provision of loading test service amounted to HK\$0.3 million, HK\$5.9 million, HK\$2.8 million and nil, representing approximately 0.1%, 4.1%, 0.6% and nil of our total revenue, respectively.

In addition, as part of our ancillary services, we lease our construction machinery to customers if the machinery is not required for other projects and such arrangement would not impede our Group's ability to complete the ongoing projects and to compete for any potential foundation projects during the relevant periods. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our rental income generated from the lease of machinery amounted to HK\$6.4 million, HK\$7.1 million, HK\$2.5 million and HK\$0.2 million, representing approximately 1.4%, 5.0%, 0.5% and 0.2% of our total revenue, respectively. Please refer to the paragraph headed "Machinery and equipment – Rental income from lease of machinery" in this section for further details.

OUR BUSINESS MODEL AND OUR PROJECTS

Overview of our projects and contracts

Our services cover different kinds of foundation works, which can be broadly categorised as piling construction (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and machinery leasing services). A typical foundation project generally involves piling, ELS and pile cap construction, with some variations depending on the structures to be built on the site. Piling construction works and other ancillary services for a foundation project are generally awarded by the developer or the project owner under a single contract to the main contractor who, depending on its capabilities, licenses, and resources, may take up all the works by itself or subcontract certain works to other subcontractors. During the Track Record Period, the awarded contract sum for our piling construction contracts (including ancillary services, if any) ranged from approximately HK\$0.17 million to approximately HK\$279.6 million.

During the Track Record Period, our business of piling construction, ELS works, pile cap construction, site formation and other ancillary services is principally carried out by our operating subsidiaries, namely, Simon & Sons, Simon & Sons (Macau) and Vanbo Engineering while our loading test service business is principally carried out by Vanbo Engineering.

BUSINESS

Contracts as main contractor and as subcontractor

For piling construction contracts, we carry out foundation works either as a main contractor or a subcontractor, depending on our customers' requirements, project nature, our assessment on profitability, project pipeline and availability of internal resources. For loading test contracts, all the contracts are awarded to us as subcontractor. The table below sets out a breakdown of our Group's turnover by our role as main contractor or subcontractor during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July 2016	
	2014		2015		2016			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	78,082	16.8	34,601	24.2	281,438	60.6	55,570	47.6
Subcontractor	<u>386,017</u>	<u>83.2</u>	<u>108,481</u>	<u>75.8</u>	<u>182,865</u>	<u>39.4</u>	<u>61,219</u>	<u>52.4</u>
	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

Contracts from private sector and public sector

Capitalising on our registrations and qualifications, we are able to directly enter into foundation works contracts with both the private and public sectors in Hong Kong. A majority of our customers are private sector customers including privately-owned property developers, construction companies, private hospitals, charity organisations as well as their respective main contractors. Our customers in public sector include different departments of the Government (including the Architectural Services Department, Highways Department, Housing Authority and Environmental Protection Department) and a railway operator in Hong Kong. The following table sets out a breakdown of our revenue during the Track Record Period attributable to private and public sector projects:

	For the year ended 31 March						For the four months ended 31 July 2016	
	2014		2015		2016			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector projects	412,538	88.9	95,524	66.8	288,810	62.2	56,512	48.4
Public sector projects	<u>51,561</u>	<u>11.1</u>	<u>47,558</u>	<u>33.2</u>	<u>175,493</u>	<u>37.8</u>	<u>60,277</u>	<u>51.6</u>
	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

BUSINESS

Our projects

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

	For the year ended 31 March			For the four months ended 31 July 2016	From 1 August 2016 to the Latest Practicable Date
	2014	2015	2016		
Number of contracts of our foundation projects awarded ^(Note 1)	<u>6</u>	<u>8</u>	<u>7</u>	<u>9</u>	<u>3</u>
	<i>HK\$'000</i>	<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 ^(Note 2)	<u>113,944</u>	<u>325,905</u>	<u>332,905</u>	<u>306,569</u>	<u>66,002</u>

Notes:

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

BUSINESS

Set out below is the table showing the number of foundation contracts of foundation project completed and awarded to us and the aggregate contract sum during the Track Record Period and as at the Latest Practicable Date:

	Number of contracts	Contract sum (Note) HK\$'000
<i>As at 1 April 2013</i>		
Existing contracts	9	604,561
<i>During the financial year ended 31 March 2014</i>		
Contracts completed	6	159,919
New contracts awarded	6	<u>113,944</u>
<i>As at 31 March 2014</i>		
Existing contracts	9	558,586
<i>During the financial year ended 31 March 2015</i>		
Contracts completed	12	560,988
New contracts awarded	8	<u>325,905</u>
<i>As at 31 March 2015</i>		
Existing contracts	5	323,503
<i>During the financial year ended 31 March 2016</i>		
Contracts completed	4	73,148
New contracts awarded	7	<u>332,905</u>
<i>As at 31 March 2016</i>		
Existing contracts	8	583,260
<i>During the four months ended 31 July 2016</i>		
Contracts completed	2	332,170
New contracts awarded	9	306,569
<i>As at 31 July 2016</i>		
Existing contracts	15	557,659
<i>For the period between 1 August 2016 and before the Latest Practicable Date</i>		
Contracts completed	0	0
New contracts awarded	3	<u>66,002</u>
<i>As at the Latest Practicable Date</i>		
Existing contracts	18	623,661

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

BUSINESS

The following table sets forth details of our top 10 projects by revenue during the Track Record Period, which accounted for approximately 84.6% of the total revenue recognised during the Track Record Period:

No.	Project Type	Location	Commencement date	Time of completion/ expected time of completion	Revenue recognised during each year/ period of the Track Record Period (HK\$'000)	Awarded contract sum (Note) (HK\$'000)	Estimated revenue to be recognised during each financial year going forward (HK\$'000)
Project M2	Driven H-Pile works	Luxury hotel resort project in Macau	June 2013	March 2015	FY2014: 232,313 FY2015: 15,155 FY2016: – Four months ended 31 July 2016: –	279,644 (MOP282,440)	FY2017: – FY2018: –
Project 18	Piling works, ELS works, pile cap construction and basement slab works	Residential development at Kai Tak	March 2015	July 2016	FY2014: – FY2015: 23,026 FY2016: 187,480 Four months ended 31 July 2016: 40,665	238,000	FY2017: 40,665 FY2018: –
Project 23	Steel pile works	Piling works relating to the Liantang/Heung Yuen Wai Boundary Control Point Project	July 2015	September 2016	FY2014: – FY2015: – FY2016: 102,849 Four months ended 31 July 2016: 42,598	166,371	FY2017: 42,598 FY2018: –
Project 22	Hoarding, driven H-Pile works, sheet piling, king post and pumping test works	Residential development at Tai Po	July 2015	July 2016	FY2014: – FY2015: – FY2016: 93,959 Four months ended 31 July 2016: 1,996	94,170	FY2017: 1,996 FY2018: –
Project M1	Driven precast prestressed concrete pile works	Luxury hotel resort project in Macau	January 2013	March 2014	FY2014: 84,395 FY2015: – FY2016: – Four months ended 31 July 2016: –	82,707	FY2017: – FY2018: –
Project 11	Driven H-Pile works	Hospital redevelopment at Tin Shui Wai	June 2013	July 2014	FY2014: 51,370 FY2015: 1,646 FY2016: – Four months ended 31 July 2016: –	53,832	FY2017: – FY2018: –
Project 7	Socketed H-Pile, soldier pile, soil nails, ELS works, pile cap construction	Hospital redevelopment at Nam Long Shan Road, Hong Kong	March 2013	March 2014	FY2014: 31,503 FY2015: 6,567 FY2016: – Four months ended 31 July 2016: –	59,377	FY2017: – FY2018: –

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No.	Project Type	Location	Commencement date	Time of completion/ expected time of completion	Revenue recognised during each year/ period of the Track Record Period (HK\$'000)	Awarded contract sum (Note) (HK\$'000)	Estimated revenue to be recognised during each financial year going forward (HK\$'000)
Project 10	Socketed H-Pile, soldier pile, ELS works, pile cap construction	Residential development at Tuen Mun	December 2013	December 2014	FY2014: 8,652 FY2015: 25,301 FY2016: – Four months ended 31 July 2016: –	33,800	FY2017: – FY2018: –
Project 15	Mini-pile works	Construction of barrier-free access facilities	May 2014	November 2015	FY2014: – FY2015: 27,143 FY2016: 2,715 Four months ended 31 July 2016: –	14,081	FY2017: – FY2018: –
Project 21	Piling works	School campus development at To Kwa Wan, Kowloon	May 2015	February 2016	FY2014: – FY2015: – FY2016: 25,916 Four months ended 31 July 2016: –	27,149	FY2017: – FY2018: –

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

Completed projects

During the Track Record Period and up to the Latest Practicable Date, we completed 24 foundation projects with a total contract sum of approximately HK\$1,126 million, which consisted of 19 Hong Kong-projects and five Macau-based projects. The following table sets out a list of our projects completed during the Track Record Period and up to the Latest Practicable Date:

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No.	Particulars and location of the projects	Role	Sector of customer	Type of works	Approximate contract duration From To	Awarded contract sum (Note 1) (HK\$ '000)	Revenue recognised during each year of the Track Record Period (HK\$ '000)	Estimated revenue to be recognized during each financial year going forward (HK\$ '000)
<i>Foundation projects in Hong Kong</i>								
Project 1	Residential development at Kwai Fong Street, Happy Valley, Hong Kong	Main contractor	Private	Socketed H-pile, sheet pile, ELS works, pile cap construction	July 2012 July 2013	21,235 FY2014: FY2015: FY2016: For the four months ended 31 July 2016: (Note 2)	4,810 — — —	FY2017: — FY2018: —
Project 2	Residential development at Kam Tin, Yuen Long	Main contractor	Private	Driven H-pile, precast concrete pile works	July 2012 June 2013	105,621 FY2014: FY2015: FY2016: For the four months ended 31 July 2016: (Note 2)	17,700 5,008 — —	FY2017: — FY2018: —
Project 3	Residential development at Yuen Long	Main contractor	Private	Socketed H-pile, sheet pile and pipe pile works	January 2012 October 2013	33,219 FY2014: FY2015: FY2016: For the four months ended 31 July 2016: (Note 2)	10,002 — — —	FY2017: — FY2018: —
Project 4	Industrial development at Tai Po	Subcontractor	Private	Driven H-pile works	February 2013 July 2013	4,427 FY2014: FY2015: FY2016: For the four months ended 31 July 2016: (Note 3)	1,379 — — —	FY2017: — FY2018: —
Project 6	Residential development at Kam To Shan, Shatin	Main contractor	Private	ELS works	March 2013 May 2013	18,180 FY2014: FY2015: FY2016: For the four months ended 31 July 2016: (Note 3)	14,066 — — —	FY2017: — FY2018: —
Project 7	Hospital redevelopment at Nam Long Shan Road, Hong Kong	Main contractor	Private	Socketed H-pipe, soldier pile, soil nails, ELS works, pile cap construction	March 2013 March 2014	59,377 FY2014: FY2015: FY2016: For the four months ended 31 July 2016: (Note 3)	31,503 6,567 — —	FY2017: — FY2018: —
Project 10	Residential development at Tuen Mun	Subcontractor	Private	Socketed H-pipe, soldier pile, ELS works, pile cap construction	December 2013 December 2014	33,800 FY2014: FY2015: FY2016: For the four months ended 31 July 2016: (Note 4)	8,652 25,301 — —	FY2017: — FY2018: —
Project 11	Hospital redevelopment at Tin Shui Wai	Subcontractor	Public	Driven H-pile works	June 2013 July 2014	53,832 FY2014: FY2015: FY2016: For the four months ended 31 July 2016: (Note 3)	51,370 1,646 — —	FY2017: — FY2018: —

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No.	Particulars and location of the projects	Role	Sector of customer	Type of works	Approximate contract duration From To	Awarded contract sum (Note 1) (HK\$ 000)	Revenue recognised during each year of the Track Record Period (HK\$ 000)	Estimated revenue to be recognized during each financial year going forward (HK\$ 000)
Project 12	Residential development at Southern district	Subcontractor	Private	ELS and retaining wall works	December 2013 to June 2014	10,807	FY2014: 6,123 FY2015: 4,463 FY2016: — For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project 14	Residential development at Shatin	Subcontractor	Private	Mini-pile works	May 2014 to September 2014	5,227	FY2014: — FY2015: 4,557 FY2016: — For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project 15	Construction of barrier-free access facilities	Subcontractor	Public	Mini pile works	May 2014 to November 2015	14,081	FY2014: — FY2015: 27,143 FY2016: 2,715 For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project V17	Foundation project for Kai Tak development	Subcontractor	Private	Piling works	March 2015 to September 2015	13,376	FY2014: — FY2015: 7,212 FY2016: 6,044 For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project 20	School campus development at Fanling	Subcontractor	Public	Steel H-piling works	June 2015 to February 2016	18,542	FY2014: — FY2015: — FY2016: 17,558 For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project 21	School campus development at To Kwa Wan, Kowloon	Subcontractor	Public	Piling works	May 2015 to February 2016	27,149	FY2014: — FY2015: — FY2016: 25,916 For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project 18	Residential development at Kai Tak	Main contractor	Private	Piling works, ELS works, pile cap construction and basement slab works	March 2015 to July 2016	238,000	FY2014: — FY2015: 23,026 FY2016: 187,480 For the four months ended 31 July 2016: 40,665	FY2017: 40,665 FY2018: —
Project 22	Residential development at Tai Po	Main contractor	Private	Hoarding, driven H-pile works, sheet piling, king post and pumping test works	July 2015 to July 2016	94,170	FY2014: — FY2015: 93,959 FY2016: 1,996 For the four months ended 31 July 2016: —	FY2017: 1,996 FY2018: —
Project 9, Project V1-V2	3 foundation projects with an average contract sum of less than HK\$1 million					1,574	FY2014: 1,494 FY2015: 79 FY2016: — For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Sub-total:						752,617		628,434

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No.	Particulars and location of the projects	Role	Sector of customer	Type of works	Approximate contract duration From To	Awarded contract sum (Note 1) (HK\$'000)	Revenue recognised during each year of the Track Record Period (HK\$'000)	Estimated revenue to be recognized during each financial year going forward (HK\$'000)
<i>Foundation projects in Macau</i>								
Project M1	Luxury hotel resort project in Macau	Subcontractor	Private	Driven precast prestressed concrete pile works	January 2013 March 2014	82,707 (MOP83,418)	FY2014: 84,395 FY2015: — FY2016: — For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project M2	Luxury hotel project in Macau	Subcontractor	Private	Driven H-pile works	June 2013 March 2015	279,644 (MOP282,440)	FY2014: 232,313 FY2015: 15,155 FY2016: — For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project M3	School campus development in Macau	Subcontractor	Private	Socketed H-pile works	June 2014 September 2014	2,621 (MOP2,700)	FY2014: — FY2015: 2,845 FY2016: — For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project M5	Construction project of Macau Jockey Club	Subcontractor	Private	Drilling works	May 2014 July 2014	8,465 (MOP8,550)	FY2014: — FY2015: 3,270 FY2016: — For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project M6	Residential development in Macau	Subcontractor	Private	King post construction	August 2014 September 2014	170 (MOP172)	FY2014: — FY2015: 170 FY2016: — For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Sub-total:						373,607	338,148	
<i>18 loading test contracts</i>						10,038	FY2014: 292 FY2015: 5,932 FY 2016: 2,814 For the four months ended 31 July 2016: —	
Total:						1,136,262	975,620	

Notes:

- The contract sum is based on the initial agreement between our customer and us and may not include additions and modifications due to subsequent variation orders, such that the final revenue recognised from a contract may differ from the contract sum.
- The contract sum is greater than the amount of revenue recognised during the Track Record Period because a portion of the revenue has been recognised before the Track Record Period.
- The contract sum is greater than the amount of revenue recognised during the Track Record Period because the actual amount of work done under the contract was lower than initially envisaged under the contract.
- The contract sum is lower than the amount of revenue recognised during the Track Record Period because of the additional variation orders placed by our customer, or the actual amount of work done under the contract is higher than initially envisaged under the contract.

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Projects on hand

As at the Latest Practicable Date, we had a total of 18 foundation projects on hand. The following table sets out a list of our projects on hand as at the Latest Practicable Date:

Particulars and location of the projects	Role	Sector of customer	Type of works	Project commencement date	Expected project completion date (Note 1)	Contract sum (Note 2)	Revenue recognised during each year of Track Record (HK\$'000)	Estimated revenue to be recognized during each financial year going forward (HK\$'000)
Project V5 Link road construction project relating to the Hong Kong-Zhuhai-Macau Bridge project at Tung Chung	Subcontractor	Public	Sheet pile works	June 2014	March 2017	12,744	FY2014: 7,867 FY2015: 4,173 FY2016: 2,302 For the four months ended 31 July 2016:	FY2017: 3,886 FY2018: –
Project 17 Construction of a subway at Carmarvon Road, Tsim Sha Tsui station	Subcontractor	Public	Horizontal pipe pile works	April 2015	November 2016	12,350	FY2014: – FY2015: 1,759 FY2016: 4,349 For the four months ended 31 July 2016: 2,727	FY2017: 3,856 FY2018: –
Project 19 Construction of barrier-free access facilities for highway structures	Subcontractor	Public	Mini pile works	October 2015	January 2017	46,328	FY2014: – FY2015: 1,082 FY2016: 16,148 For the four months ended 31 July 2016: 3,592	FY2017: 10,173 FY2018: –
Project 23 Piling works relating to the Liantang/Heung Yuen Wai Boundary Control Point project	Subcontractor	Public	Steel pile works	July 2015	November 2016	166,371	FY2014: – FY2015: 102,849 FY2016: 42,598 For the four months ended 31 July 2016: 42,598	FY2017: 42,598 FY2018: –
Project 24 Residential development in Repulse Bay	Subcontractor	Private	Site formation works	February 2016	November 2016	1,450	FY2014: – FY2015: 298 FY2016: 942 For the four months ended 31 July 2016: 942	FY2017: 2,177 FY2018: –
Project 25 School campus development at Hoi Lan Estate, Sham Shui Po	Subcontractor	Public	Steel H-piling works	April 2016	November 2016	11,847	FY2014: – FY2015: – FY2016: – For the four months ended 31 July 2016: 7,755	FY2017: 11,664 FY2018: –
Project 26 Residential development at Tong Yan San Tsuen Road, Yuen Long	Main contractor	Private	H-pile, ELS and pile cap construction	April 2016	March 2017	50,821	FY2014: – FY2015: – FY2016: 11,824 For the four months ended 31 July 2016: 11,824	FY2017: 50,800 FY2018: –
Project 27 Design and construction of foundation works for composite building at Castle Peak Road, Kowloon	Main contractor	Private	H-pile and pile cap construction	May 2016	May 2017	27,000	FY2014: – FY2015: – FY2016: – For the four months ended 31 July 2016: 1,085	FY2017: 17,136 FY2018: 9,864

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Particulars and location of the projects	Role	Sector of customer	Type of works	Project commencement date	Expected project completion date (Note 1)	Contract sum (Note 2)	Revenue recognised during each year of Track Record (HK\$'000)	Estimated revenue to be recognized during each financial year going forward (HK\$'000)
Project 28 Road works at Tai Po	Subcontractor	Private	Road works	July 2016	May 2017	17,310	FY2014: 11,450 FY2015: 5,860 FY2016: — For the four months ended 31 July 2016: —	FY2017: — FY2018: —
Project 29 Foundation project for Lianiang/Heng Yuen Wai Boundary Connect Point	Subcontractor	Public	Sheet pile	August 2016	March 2017	8,730	FY2014: 8,230 FY2015: — FY2016: — For the four months ended 31 July 2016: 339	FY2017: 8,230 FY2018: —
Project 30 Foundation project for Kai Tak development (stage 3)	Subcontractor	Public	Sheet pile	August 2016	November 2016	6,888	FY2014: 6,888 FY2015: — FY2016: — For the four months ended 31 July 2016: —	FY2017: 6,888 FY2018: —
Project 31 Foundation project in West Kowloon Government Office in Yaumatei	Subcontractor	Public	King post, steel platform and ELS	May 2016	December 2016	10,340	FY2014: 10,340 FY2015: — FY2016: — For the four months ended 31 July 2016: 964	FY2017: 10,340 FY2018: —
Project 33 Hotel redevelopment in Chatham Road North, Kowloon	Main contractor	Private	Socketed H-pile and pile cap construction	July 2016	June 2017	10,200	FY2014: 7,544 FY2015: 2,656 FY2016: — For the four months ended 31 July 2016: —	FY2017: 7,544 FY2018: 2,656
Project 34 Composite development in Fanling	Subcontractor	Private	Basement and substructure works	August 2016	June 2017	62,015	FY2014: 48,700 FY2015: 13,315 FY2016: — For the four months ended 31 July 2016: —	FY2017: 48,700 FY2018: 13,315
Project 35 Residential development in Tai Po	Main contractor	Private	Driven Steel H-piles, hoarding and site formation	September 2016	August 2017	113,265	FY2014: 76,562 FY2015: 36,703 FY2016: — For the four months ended 31 July 2016: —	FY2017: 76,562 FY2018: 36,703
Project 36 Commercial development in Aberdeen	Main contractor	Private	Pipe pile wall, grout curtain and ELS	September 2016	November 2017	38,622	FY2014: 23,211 FY2015: 15,411 FY2016: — For the four months ended 31 July 2016: —	FY2017: 23,211 FY2018: 15,411
Project 37 Residential development in Sheng Shui	Main contractor	Private	Site formation and ELS	September 2016	April 2017	13,480	FY2014: 12,700 FY2015: 780 FY2016: — For the four months ended 31 July 2016: —	FY2017: 12,700 FY2018: 780
Project 38 Residential development in Tuen Mun	Main contractor	Private	Site formation and ELS	September 2016	January 2017	13,900	FY2014: 13,900 FY2015: — FY2016: — For the four months ended 31 July 2016: —	FY2017: 13,900 FY2018: —

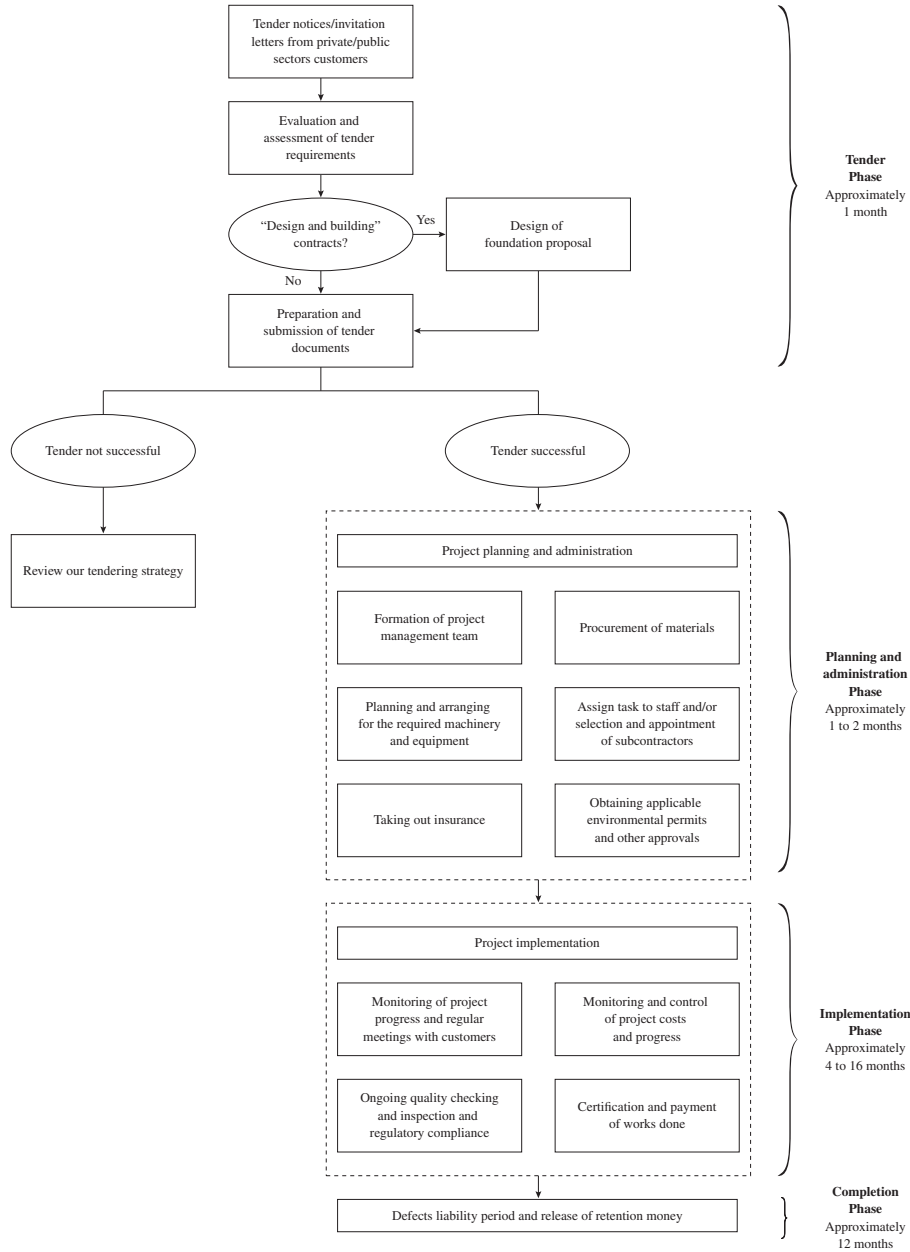
Notes:

- The expected completion date for a particular contract is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.
- The contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the contract sum.

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OPERATION FLOW

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



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

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Tender phase

Project identification

Private sector projects which we act as main contractor

For private sector projects, the ultimate employers (such as property owners, developers or their professional consultants) typically maintain their lists of approved foundation contractors and will send them letters to invite for tender or pre-qualification or letters to express interest for tender. They may sometimes require their approved foundation contractors to make pre-qualification submissions to assess their qualification and eligibility to submit tenders. Letters of invitation for tender normally include brief description of the works required, contact details of the office (from which forms of tender and further particulars of the projects may be obtained) and the closing time and date of the tender.

Public sector projects for the role of main contractor

During the Track Record Period, we did not act as main contractor for public sector projects. Nevertheless, given that Simon & Sons is (a) registered under the Approved Specialist List in the categories of land piling (Group II) maintained by WBDB which imposes no restriction in respect of contract value for the projects that can be undertaken by us; and (b) admitted by the Housing Authority as one of the nine piling contractors in the “percussive piling” category which enables us to tender for the Housing Authority’s piling projects, we may receive invitation letters for tender issued directly from the relevant Government departments. In addition, we also identify public sector projects through the Government gazette and the websites of different Government departments where tender notices, which include information such as contract title, brief description of works required, tender out date and tender eligibility list or group, are published. We review such information periodically as one of the sources of market information.

Projects which we act as subcontractor

From time to time, we are approached by main contractors of government infrastructure or construction projects to provide an indication of our interest or quotation to act as their subcontractor in the subject projects. Our Directors believe that our Group may be approached by main contractors due to our previous working relationship or our information being listed under the Approved Specialist List.

Evaluation and assessment of projects

Our tendering team is led by Mr. Edmond Chan, our executive Director, and Mr. Chen Tai Ping, our contracts manager, whose background and experience are set out in the section headed “Directors, senior management and employees” in this prospectus. Mr. Edmond Chan and Mr. Chen Tai Ping are responsible for reviewing and evaluating tender documents and preparing tender submissions. We generally review and evaluate the commercial viability of potential projects based on factors including the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with potential customers and prevailing market conditions. After we have reviewed tender documents, we will proceed to submit our tender.

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Preparation and submission of tender documents

Any quotation, expression of interest for tender, or tender submission is only prepared after we have carried out a thorough analysis of the work to be undertaken. This includes assessing sub-soil conditions, obtaining suppliers' quotations for cost of materials, allocating labour and management resources, and scheduling of machinery and equipment. On some occasions, our engineering managers will also visit the site at which the project is to be undertaken in order to conduct a better assessment on the complexity of the work to be involved. Subject to the conditions of the site, we may consider specific factors including (a) whether there are any underground utilities; (b) the conditions of the structures adjacent to the site; (c) the nature of the locality of the site; and (d) whether there are any potential difficulties in carrying out the work, such as the size and landscape of the site restricting the accessibility of required machinery.

Most of our contracts are "build only" contracts under which we carry out piling construction works strictly according to the design provided by the customers. For "build only" contracts, we will prepare and submit tenders or quotations on the basis of a piling layout design provided by the project consultant. Occasionally, we also undertake a "design and build" contract, a type of contract under which we can prepare and propose foundation designs including the choice of pile types and foundation layout plans, and carry out the piling construction works. Generally, it takes about 2 to 3 weeks from receipt of the tender documents to submission of the tender for a "build only" contract or a "design and build" contract.

Tender price and pricing policy

Mr. Edmond Chan and Mr. Chen Tai Ping, our executive Director and our contracts manager respectively, play an active role in the tender review procedure. They are responsible for reviewing tender documents, formulating bidding strategies and ensuring that bids are both competitive and profitable. Based on the experience of our executive Directors, senior management and employees, we will consider the potential difficulty and risk factors in estimating the total cost of each project. We will then determine the tender price based on our estimated project costs (which mainly include machinery usage cost, direct labour costs, subcontracting charges and construction material costs) plus a mark-up margin determined on a project-by-project basis. Depending on the complexity or scale of the project, sometimes we may obtain quotations from our subcontractors prior to submitting a tender and reflect the estimated construction material costs and subcontracting charges in our tender price.

Upon finalising the bill of quantities and other documents required for tender submission, our Group will submit the tender documents to the potential customers. After submitting tender, we may be required to answer queries or invited to attend interviews with the potential customers to clarify certain aspects of our submitted tender, demonstrate our understanding on the project, discuss availability of our resources and our estimated project costs. We will follow up with the potential customers on their requirements and details of our tender.

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Tender success rate

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

	For the year ended 31 March			For the four months ended 31 July 2016	From 1 August 2016 to the Latest Practicable Date
	2014	2015	2016		
Number of tenders submitted	27	24	29	20	17
Number of tenders won	6	8	7	9	3
Success rate (%) ^(Note)	22.2	33.3	24.1	45.0	17.6

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

Planning and administration phase

Generally, once our tender proposal is accepted by our customer, a letter of award or letter of acceptance will be issued to us by our customer which forms part of the contract. We will commence the implementation of the project which includes formation of a project management team, procurement of materials, planning and arranging the required equipment to be delivered to the site and selection and appointment of subcontractors (if necessary).

Formation of project management team

Our project management team generally comprises the following key members: project manager, engineer, site agent, foreman, quantity surveyor, safety supervisor, environmental officer.

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

- Our project manager 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 engineer is responsible for overseeing the engineering and technical aspects of the project such as designing the whole site operation and suitable methodology and procedures for customer's approval.

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- Our site agent is responsible for assisting our project manager to supervise and monitor work progress on site, supervising workmanship and quality and preparing site daily records setting out the works performed by our workers and subcontractors. Our foreman assists our site agent to coordinate and supervise site workers for day-to-day site operations.
- Our quantity surveyor is responsible for inspecting the work progress on site and preparing payment application. Our quantity surveyor is also required to update our project manager with the latest certified progress from our customers.
- Our safety officer and safety supervisor are responsible for supervising implementation of site safety measures and monitoring day-to-day occupational health and safety compliance. Our environmental officer is responsible for supervising implementation of site measures for environmental protection and compliance.

Procurement of materials

The construction materials that we use for our projects are mainly steel piles and other metal materials. We source all major construction materials in Hong Kong on our own, unless otherwise specified by our customers. We will place orders with our suppliers and purchase the required materials based on our project need. For further details, please refer to the paragraph headed “Suppliers and subcontractors – Our materials and suppliers” in this section below.

Planning and arranging for the required machinery and equipment

Most of our works involve usage of machinery. Mr. Edmond Chan, our executive Director and chief executive officer, is responsible for managing the machinery for our projects. Mr. Edmond Chan will determine the types of machinery to be used at various stages of our projects and the logistics of delivery of machinery to various project sites. For further details, please refer to the paragraph headed “Machinery and equipment” in this section below.

Selection and appointment of subcontractors (if necessary)

We usually carry out our projects by our employees. However, our Directors consider that taking into account our capability, resources level, cost effectiveness and the complexity of the project, we may subcontract specific parts of the project to our subcontractors such as piling work, site formation work and drilling work. For further details, please refer to the paragraph headed “Suppliers and subcontractors – Subcontracting” in this section below.

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Implementation phase

Monitoring of project progress and regular progress meetings with customers

We believe that our quality of work and reputation are crucial to winning future tenders and securing future business opportunities. As such, we place strong emphasis on quality control of our work to ensure that our work meets with or exceeds the required standards. Our project management team holds regular meetings with our customers to review the progress of the project and to resolve any problems which may arise. Progress reports and site photos are submitted to our customers during such meetings, if required. Upon completion of our work, various tests will be performed to confirm that the specified standards have been met. In the case of piling construction work, a record plan will be prepared for submission to the relevant Government authorities.

Under the usual terms of our foundation contracts, variation by executing additional or modification works may be ordered by our customers. 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.

Monitoring and control of project costs and progress

Our Directors consider that our results of operations are impacted in part by our ability to control project costs within our budget, which, however, may be dependent on a number of factors including the scope and complexity of the projects, site conditions, project time frame, estimated construction material costs and labour cost. Some of these factors are beyond our control. We may also be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers. Please refer to the section headed “Risk factors – Risks relating to our foundation business – We make estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses” in this prospectus for further details. Our contracts manager will prepare a budget plan for each construction project taking account of the following factors:

- scope and complexity of the construction works to be carried out
- duration of the construction contract
- quotation obtained from our suppliers and subcontractors, taking into account future inflation and escalation in prices
- the resources of our Group, such as manpower and machinery, to be allocated to the project.

The budget plan for each of our projects will be reviewed and monitored with actual incurred costs. Our accounts department prepares reports and meets with our contracts manager on a monthly basis. Any material deviation from the estimated budget will be highlighted in the reports so as to determine possible follow-up actions for cost control purpose.

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In order to mitigate the risk of delay in completing our projects, our project manager will review the progress of our projects on a weekly basis. Any sites that fall behind the construction schedule will be discussed internally to seek possible remedial actions such as allocating more manpower and machinery and the same will be reported to our customers. Based on the above, our Directors believe that our current measures on cost control and monitoring of construction progress are being carried out effectively.

Certification and payment of works done

Our Group's foundation contracts normally require our customers to make progress payments on a monthly basis. Once our Group has submitted a monthly bill, the consultant or architect appointed by our customer will certify the amount of work done.

Completion phase

Practical completion and release of retention money

In general, there is a contract term for the customer to hold up retention money from the progress payment. The amount of retention money, which depends on negotiation with our customers, represents 5% or 10% of the value of work done, subject to a maximum rate of 2.5% or 5% of the total original contract sum. Upon satisfactory completion of the contract, a practical completion certificate will be issued by the architect. The terms and conditions on release of retention money also vary from contract to contract, which may be subject to completion of contract works or a pre-agreed time period after completion of the contract works. As at 31 July 2016, the aggregate retention money held by our customers for contracted works included in our retention receivables amounted to approximately HK\$29.0 million. We expect that all such retention money will be released according to the respective contracts and work done. Furthermore, the amount of retention money held by our Group from subcontractors is normally 10% of the monthly payment and subject to a mutually agreed cap (which is normally 5% of the total subcontract sum). As at 31 July 2016, the aggregate retention money payable to our subcontractors and held by us amounted to approximately HK\$12.4 million.

Rectification and defects liability period

Our customers would normally require a defects liability period, during which we are responsible for rectifying any construction defects. The defects liability period is usually 12 months. Under the usual terms of our foundation contracts, we are liable to rectify all defective works (if any) during the defects liability period. During the Track Record Period, we did not experience any material claim by our customers in respect of any defective works, and have not made provision for any repair and maintenance cost in respect of defective works during the defects liability period.

BUSINESS

CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers primarily included the following:

- *Private sector customers:* Our customers in private sector include privately-owned property developers, construction companies and charity organisations. During the Track Record Period, most of our revenue was derived from private sector customers, which accounted for approximately 88.9%, 66.8%, 62.2% and 48.4% of our total revenue for the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively.
- *Public sector customers:* Our customers in public sector include different departments of the Government (including Architectural Services Department, Highways Department, Housing Authority and Environmental Protection Department) and a railway operator in Hong Kong. During the Track Record Period, revenue derived from public sector projects accounted for approximately 11.1%, 33.2%, 37.8% and 51.6% of our total revenue for the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively.

For information regarding our customers in respect of each of our projects undertaken during the Track Record Period, please refer to the paragraph headed “Our business model and our projects” in this section.

Major customers

For the three years ended 31 March 2016 and the four months ended 31 July 2016, the percentage of our total revenue attributable to our largest customer amounted to approximately 50.0%, 19.0%, 40.4% and 36.5%, respectively, while the percentage of our total revenue attributable to our five largest customers amounted to approximately 92.1%, 68.8%, 92.1% and 91.1%, respectively.

BUSINESS

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

For the year ended 31 March 2014:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Consultadoria De Engenharia Civil Y W Siu Limitada	A construction contractor in Macau	Piling works	3	14 days; mainly by cheque	232,313	50.0
2.	Customer B	A construction contractor which is a subsidiary of a company listed in Australia	Piling works	10	56 days; mainly by cheque	84,395	18.2
3.	Customer C	A joint venture construction contractor in Hong Kong	Piling works	3	49 days; mainly by cheque	51,370	11.1
4.	Tung Wah Group of Hospitals	A charitable organisation in Hong Kong	Piling works, ELS, pile cap construction and site formation	3	30 days; mainly by cheque	31,503	6.8
5.	Customer E (Note)	An architectural and engineering consulting firm which is a subsidiary of a company listed in Hong Kong	Piling works	41	14 days; mainly by cheque	27,702	6.0
Five largest customers combined						427,283	92.1
All other customers						36,816	7.9
Total revenue						464,099	100.0

Note: Customer E represents two entities which were ultimately controlled by the same shareholder.

BUSINESS

For the year ended 31 March 2015:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Customer F	A civil engineering contractor which is a subsidiary of a company listed in Hong Kong	Piling works	2	30 days; mainly by cheque	27,143	19.0
2.	Customer G	A property developer in Hong Kong	Piling works ELS, pile cap and site formation	2	28 days; mainly by cheque	25,301	17.6
3.	Ultimate Chance Investments Limited	A property developer in Hong Kong	Piling works ELS, pile cap and site formation	1	30 days; mainly by cheque	23,026	16.1
4.	Consultadoria De Engenharia Civil Y W Siu Limitada	A construction contractor in Macau	Piling works	3	14 days; mainly by cheque	15,155	10.6
5.	Customer I	A construction contractor which is a subsidiary of a company listed in Hong Kong	Piling works and ancillary services	5	21 days; mainly by cheque	7,867	5.5
Five largest customers combined						98,492	68.8
All other customers						44,590	31.2
Total revenue						143,082	100.0

BUSINESS

For the year ended 31 March 2016:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Ultimate Chance Investments Limited	A property developer in Hong Kong	Piling works	1	30 days; mainly by cheque	187,480	40.4
2.	Customer B	A construction contractor which is a subsidiary of a company listed in Australia	Piling works	10	56 days; mainly by cheque	102,849	22.1
3.	Top Finder Limited	A property developer in Hong Kong	Piling works	1	no credit period; mainly by cheque	93,959	20.2
4.	Chevalier (Construction) Company Limited	A construction contractor which is a subsidiary of a company listed in Hong Kong	Piling works	1	45 days; mainly by cheque	25,916	5.6
5.	China International Water & Electric Corporation	A construction and engineering consulting company in China	Piling works	1	49 days; mainly by cheque	17,558	3.8
Five largest customers combined						427,762	92.1
All other customers						36,541	7.9
Total revenue						464,303	100.0

BUSINESS

For the four months ended 31 July 2016:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Customer B	A construction contractor which is a subsidiary of a company listed in Australia	Driven H-Pile Works	10	45 days; mainly by cheque	42,598	36.5
2.	Ultimate Chance Investment Limited	A property developer in Hong Kong	Driven H-Pile, Sheet Pile, ELS, Pile Cap & Basement Slab Works	1	30 days; mainly by cheque	40,665	34.8
3.	Customer M	A property developer listed in Hong Kong	Piling, ELS and Pile Cap Works	1	21 days; mainly by cheque	11,824	10.1
4.	Customer N	A construction contractor in Hong Kong	Steel H-piling Works	1	14 days; mainly by cheque	7,754	6.6
5.	Customer O	A construction contractor in Hong Kong	Socketed H-Pile & Mini-Pile Works	1	42 days; mainly by cheque	3,592	3.1
Five largest customers combined						106,433	91.1
All other customers						10,356	8.9
Total revenue						116,789	100.0

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

For the three years ended 31 March 2016 and the four months ended 31 July 2016, the aggregate revenue attributable to Customer B and Customer C (a joint venture company of Customer B), which our Directors consider as affiliated entities under the same group, amounted to HK\$135.8 million, HK\$1.6 million, HK\$102.8 million and 42.6 million, respectively, representing approximately 29.3%, 1.1%, 22.2% and 36.5% of our total revenue during the same periods.

BUSINESS

Customer concentration

For the three years ended 31 March 2016 and the four months ended 31 July 2016, the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 92.1%, 68.8%, 92.1% and 91.1%, respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 50.0%, 19.0%, 40.4% and 36.5% respectively for the same periods. According to the Ipsos Report, it is common for construction contractors to rely on a few customers and such customer concentration is not uncommon for construction companies in Hong Kong. Our Directors consider that despite the customer concentration, our Group's business model is sustainable for the following reasons:

- Owing to the nature of the foundation industry in which our Group is engaged, our customer base is relatively concentrated to reputable property developers, construction contractors and other reputable main contractors in Hong Kong. As a result, given the market landscape of the foundation industry in Hong Kong, the potential customer base of our Group is relatively limited.
- 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 may have a contract period of one to two years. 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 sector projects. In the event that any of our major customers substantially reduce 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 foundation services in Hong Kong and our competitive strengths as detailed in the paragraph headed "Competitive strengths" in this section. According to the Ipsos Report, the demand for foundation works is expected to increase in the future and the estimated revenue of the foundation contracting industry in Hong Kong is anticipated to grow at a CAGR of approximately 6.4% from approximately HK\$24.5 billion in 2016 to approximately HK\$31.4 billion in 2020.
- 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 customers during the Track Record Period. Please refer to the paragraph headed "Operation flow – Tender phase – Tender success rate" in this section for further details.
- We have long-term business relationships with some of our major customers 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 foundation projects in the future.

BUSINESS

- Our Directors consider that we have a complementary business relationship with our major customers. Our experience and our proven track record as a quality contractor in handling foundation 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.

Marketing activities

During the Track Record Period, we secured new businesses mainly through tendering. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we are able to leverage our existing customer base, reputation and our years of experience in foundation works projects such that we do not rely heavily on marketing and promotional activities. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities.

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:

- | | | |
|---|---|---|
| <i>Contract period</i> | : | 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 as well as the existence of any unforeseen circumstances (such as bad weather conditions, industrial accidents, variation orders requested by customers, etc., if any), the duration of a contract (from the date of engagement to the date of completion) could generally range from approximately 4 months to 16 months. However, such period may be extended pursuant to the terms of the relevant contract. |
| <i>Scope of works</i> | : | This term identifies the types and scope of the work in detail which we are engaged to perform under the contracts. For details, please refer to paragraph headed “Description of our foundation works” in this section. |
| <i>Bills of quantities or schedule of rates</i> | : | Most of our contracts would include 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. |

BUSINESS

- Payment terms* : We generally provide our customers with a written statement of the value of all works done under the contract on a monthly basis.
- Variation orders* : Variation by executing additional or modification works as may be ordered by the customer. 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* : The amount of retention money, which depends on negotiation with our customers represents 5% or 10% of the value of work done, subject to a maximum rate of 2.5% or 5% of the total original contract sum as retention money. Please refer to the paragraph headed “Operation flow – Completion phase – Practical completion and release of retention money” in this section above for further details.
- Contract price adjustment mechanism* : There is usually no price adjustment clause between our Group and the customers.
- Insurance* : In general, it is the obligation of the main contractor of the foundation project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Depending on the terms of the relevant contracts, such insurances are taken out either by the main contractors (in the case where we act as a subcontractor) or ourselves (in the case where we act as a main contractor). Please refer to the paragraph headed “Insurance” in this section below for further details.
- Surety bonds* : Our customers generally require us to take out a surety bond issued by a bank or an insurance company of up to 10% of the contract sum to secure our Group’s due performance of the contract.

BUSINESS

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, we have not had any material liquidated damages claim made against us due to our delay in completing the contract in respect of which time extension is not granted by our customers.

Default and termination : 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

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 after completion of our contracts. Please refer to the paragraph headed “Operation flow – Completion phase – Rectification and defects liability period” in this section above for further details.

Credit policy

Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customer and the key contract terms stipulated in the relevant tender document. Further details in respect of the factors considered in the course of preparation of a tender proposal are set out under the paragraph headed “Operation flow” in this section above.

After entering into a formal contract, we will monitor payments from the customer. For outstanding balances overdue, our management and project team will be alerted and appropriate follow-up actions will be taken.

BUSINESS

Credit terms given to our customers are generally set out in the relevant contract. The credit period granted to our customers generally ranges from 0 to 60 days from the date of the consultant/architect's certification or the date of invoice (as the case may be). Settlement is normally made by cheque. The number of trade receivable turnover days is approximately 13.9 days, 22.2 days, 11.1 days and 14.1 days for each of the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively. Further details on our trade receivable turnover days are set out in the section headed "Financial information – Trade and other receivables analysis – Trade receivables" in this prospectus.

Our Directors determine specific provision for doubtful debts on a case-by-case basis. Factors taken into account for such purpose include length of business relationship, past reputation, financial strength and repayment history of the relevant customers. We did not make any provision for doubtful debts during the Track Record Period.

Seasonality

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

SUPPLIERS AND SUBCONTRACTORS

Our materials and suppliers

Major construction materials used by us are steel piles and other metal materials which are sourced by our Group in Hong Kong. For each of the three years ended 31 March 2016 and the four months ended 31 July 2016, we incurred approximately HK\$161.3 million, HK\$15.1 million, HK\$116.4 million and HK\$15.6 million, respectively in construction materials costs, representing approximately 41.7%, 12.5%, 29.8% and 16.5% of our total cost of services for the corresponding period, respectively. Please refer to the section headed "Financial information – Cost of services" in this prospectus for the sensitivity analysis in relation to the materials costs.

For projects which we act as subcontractor, we source the construction materials from our approved list of suppliers.

For our construction projects which we are engaged as main contractor, we usually select our suppliers from our approved list of suppliers and procure construction materials required for carrying out of our works as well as that of our subcontractors.

Criteria for selecting suppliers

As at the Latest Practicable Date, there were approximately 83 suppliers on our list of approved suppliers, which is reviewed and updated periodically. The admission of suppliers onto our approved list is subject to assessment of various factors including track record, product quality, sufficiency of plant and equipment, timeliness of delivery, response time to enquiry and sufficiency of human resources. During the Track Record Period, none of our approved suppliers was removed from our approved list of approved suppliers due to poor quality of the materials supplied by them.

BUSINESS

We generally order the relevant materials on an order-by-order basis and therefore do not enter into any long term supply agreements with our suppliers. We consider that our comprehensive list of approved suppliers already assures a reasonably diversified base of reliable suppliers which offer competitive prices. During the Track Record Period, we have not experienced any significant shortage or delay in delivery of construction materials by our suppliers which caused disruption to our works.

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 when preparing tender proposals and hence we could generally pass on the increase in costs to our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of materials that had a material impact on our business, financial condition or results of operations.

Major suppliers

Construction materials costs incurred for our largest supplier (excluding our subcontractors) accounted for approximately 54.9%, 73.9%, 53.1% and 44.9% of our total construction materials costs, respectively, for each of the three years ended 31 March 2016 and the four months ended 31 July 2016, and construction materials costs incurred for our five largest suppliers (excluding our subcontractors) for each of the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 96.0%, 95.6%, 96.4% and 98.6% of our total construction materials costs, respectively.

BUSINESS

Set out below is a breakdown of our total construction material costs incurred by our five largest suppliers (excluding our subcontractor) 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 materials purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier A	A Hong Kong company engaged in supply of steel bar which is a subsidiary of a company listed in Hong Kong	Steel piles	20	Monthly progress payment with a credit period of 30 days; mainly by cheque	88,531	54.9
2	Supplier B	A Hong Kong company engaged in supply of steel bar	Steel piles	18	Monthly progress payment with a credit period of 7 to 60 days; mainly by cheque	39,392	24.4
3	Supplier C	A Hong Kong company engaged in supply of steel bar	Steel piles	19	Monthly progress payment with a credit period of 60 days; mainly by cheque	20,691	12.8
4	Supplier D	A petroleum products company in Macau	Diesel oil	3	Monthly progress payment with a credit period of 30 days; mainly by cheque	4,108	2.6
5	Supplier E	A petroleum products company in Hong Kong	Diesel oil	8	Monthly progress payment with a credit period of 30 days; mainly by cheque	2,085	1.3
Five largest suppliers combined						154,807	96.0
All other suppliers						6,533	4.0
Total construction material costs						<u>161,340</u>	<u>100.0</u>

BUSINESS

For the year ended 31 March 2015:

Rank	Supplier	Principal business of the supplier	Type of materials purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier B	A Hong Kong company engaged in supply of steel bar	Steel piles	18	Monthly progress payment with a credit period of 7 to 60 days; mainly by cheque	11,168	73.9
2	Supplier C	A Hong Kong company engaged in supply of steel bar	Steel piles	19	Monthly progress payment with a credit period of 60 days; mainly by cheque	1,623	10.7
3	Supplier F	A Singaporean company engaged in supply of steel bar	Steel piles	1	21 days upon date of shipment; mainly by bank transfer	628	4.2
4	Supplier A	A Hong Kong company engaged in supply of steel bar which is a subsidiary of a listed company in Hong Kong	Steel piles	20	Monthly progress payment with a credit period of 30 days; mainly by cheque	551	3.7
5	Supplier D	A petroleum products company in Macau	Diesel oil	3	Monthly progress payment with a credit period of 30 days; mainly by cheque	476	3.1
Five largest suppliers combined						14,446	95.6
All other suppliers						666	4.4
Total construction material costs						<u>15,112</u>	<u>100.0</u>

BUSINESS

For the year ended 31 March 2016:

Rank	Supplier	Principal business of the supplier	Type of materials purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier C	A Hong Kong company engaged in supply of steel bar which is a subsidiary of a company listed in Hong Kong	Steel piles	19	Monthly progress payment with a credit period of 60 days; mainly by cheque	61,747	53.1
2	Supplier B	A Hong Kong company engaged in supply of steel bar	Steel piles	18	Monthly progress payment with a credit period of 7 to 60 days; mainly by cheque	23,516	20.2
3	Supplier A	A Hong Kong company engaged in supply of steel bar	Steel piles	20	Monthly progress payment with a credit period of 30 days; mainly by cheque	18,177	15.6
4	Supplier E	A petroleum products company in Hong Kong	Diesel oil	8	Monthly progress payment with a credit period of 30 days; mainly by cheque	4,856	4.2
5	Supplier G	A Hong Kong company engaged in supply of steel bar	Steel piles	6	Monthly progress payment with a credit period of 30 days; mainly by cheque	3,904	3.3
Five largest suppliers combined						112,200	96.4
All other suppliers						4,161	3.6
Total construction material costs						<u>116,361</u>	<u>100.0</u>

BUSINESS

For the four months ended 31 July 2016:

Rank	Supplier	Principal business of the supplier	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier C	A Hong Kong company engaged in supply of steel bar which is a subsidiary of a company listed in Hong Kong	Steel piles	19	Monthly progress payment with a credit period of 60 days; mainly by cheque	7,020	44.9
2	Supplier A	A Hong Kong company engaged in supply of steel bar	Steel piles	20	Monthly progress payment with a credit period of 60 days; mainly by cheque	6,435	41.3
3	Supplier E	A petroleum products company in Hong Kong	Diesel oil	11	Monthly progress payment with a credit period of 30 days; mainly by cheque	1,155	7.4
4	Supplier G	A Hong Kong company engaged in supply of steel bar	Steel piles	5	Monthly progress payment with a credit period of 30 days; mainly by cheque	529	3.4
5	Supplier H	A Hong Kong company engaged in supply of concrete	Concrete, mortar and cement	14	Monthly progress payment with a credit period of 30 days; mainly by cheque	243	1.6
Five largest suppliers combined						15,382	98.6
All other suppliers						213	1.4
Total construction material costs						<u>15,595</u>	<u>100.0</u>

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

Payment terms with our suppliers

Construction materials purchased by us are normally settled by cheque in Hong Kong dollars. The credit period granted by our suppliers generally ranges from seven to 60 days.

BUSINESS

Inventory

We do not maintain any inventories during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis. Our project term plans the delivery schedule ahead to ensure immediate consumption of contraction materials.

Subcontracting

In order to better ensure our work quality and to avoid over-reliance on external parties, it is our Group's strategy to carry out works by ourselves, to the largest possible extent as permitted by our available internal resources. As such, we maintain a workforce of skilled labour in different specialised areas and invest in a fleet of machinery and equipment for our business.

However, as the entire process of a foundation project involves many kinds of works, it is impractical for us to undertake each part of the works involved directly. It is a common industry practice for subcontractors to further subcontract part of their works to other subcontractors. Our Directors consider that subject to our capacity, resources level, cost effectiveness, complexity of the projects and customers' requirements, we may subcontract our works such as piling works, drilling work and site formation works to other subcontractors in a project. 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.

Our subcontracting charges amounted to approximately HK\$149.1 million, HK\$66.3 million, HK\$165.1 million and HK\$46.4 million, respectively, representing approximately 38.5%, 54.7%, 42.3% and 48.8%, respectively of our total cost of services for each of the three years ended 31 March 2016 and the four months ended 31 July 2016.

Criteria for selecting subcontractors

Our Group maintains an approved list of subcontractors, which are selected based on their quality of work, reputation in the industry, sufficiency of machinery and labour, punctuality in delivery, response time for enquiry and their safety and environmental records. As at the Latest Practicable Date, we had about 41 subcontractors on our approved list of subcontractors. We believe that our stable relationship with our subcontractors enables us to have a thorough understanding and assessment of their performance over the years, which in turn allows us to ensure their quality of works. We review and update our approval list from time to time. During the Track Record Period, none of the approved subcontractors was removed from our approved list of approved subcontractors due to poor performance in subcontracting works.

Save for the subcontracting arrangements between operating subsidiaries of our Group, we confirmed that all of our subcontractors are independent third parties. Our Directors consider that there are sufficient subcontractors in the market to whom we can delegate our works if required. We believe we are flexible to engage alternative subcontractors to take up part of our works when necessary.

BUSINESS

Our major subcontractors

Subcontracting charges attributable to our largest subcontractor for each of the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 19.1%, 39.7%, 50.0% and 64.7% of our total subcontracting charges, respectively, while our five largest subcontractors for each of the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 58.4%, 88.2%, 88.9% and 87.9% of our total subcontracting charges, respectively.

Set out below is a breakdown of our total subcontracting charges incurred by 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	Subcontracting service provided	Year(s) of business relationship	Typical credit terms and payment method	Subcontracting charges	
						<i>HK\$'000</i>	<i>%</i>
1	Subcontractor A (Note)	A Hong Kong company engaged in building and construction and excavation work	Site formation work	6	Within 30 days from the date of invoice; mainly by cheque	28,417	19.1
2	Subcontractor B	A Hong Kong company engaged in erection of architectural superstructures work	Piling work	9	Within 15 days from the date of invoice; mainly by cheque	18,238	12.2
3	Subcontractor C	A Hong Kong company engaged in piling work and drilling work	Piling work and drilling work	12	Within 30 days from the date of invoice; mainly by cheque	14,968	10.0
4	Subcontractor D	A Macau company engaged in welding and survey work	Welding and survey works	9	Within 15 days from the date of invoice; mainly by cheque	13,587	9.1
5	Subcontractor E	A Hong Kong company engaged in piling work	Piling work	2	Within 30 days from the date of invoice; mainly by cheque	11,865	8.0
					Five largest subcontractors combined	87,075	58.4
					All other subcontractors	61,989	41.6
					Total subcontracting charges	149,064	100.0

Note: Subcontractor A represents two entities which were ultimately controlled by the same shareholder.

BUSINESS

For the year ended 31 March 2015:

Rank	Subcontractor	Principal business of the subcontractor	Subcontracting service provided	Year(s) of business relationship	Typical credit terms and payment method	Subcontracting charges	
						HK\$'000	%
1	Subcontractor C	A Hong Kong company engaged in piling and drilling work	Piling work and drilling work	12	Within 30 days from the date of invoice; mainly by cheque	26,286	39.7
2	Subcontractor A (Note)	A Hong Kong company engaged in building and construction and excavation work	Site formation work	6	Within 30 days from the date of invoice; mainly by cheque	16,167	24.4
3	Subcontractor B	A Hong Kong company engaged in erection of architectural superstructures work	Piling work	9	Within 15 days from the date of invoice; mainly by cheque	7,213	10.9
4	Subcontractor E	A Hong Kong company engaged in piling work	Piling work	2	Within 30 days from the date of invoice; mainly by cheque	5,974	9.0
5	Subcontractor F	A Hong Kong company engaged in loading test	Loading test	5	Within 15 days from the date of invoice; mainly by cheque	2,798	4.2
Five largest subcontractors combined						58,438	88.2
All other subcontractors						<u>7,857</u>	<u>11.8</u>
Total subcontracting charges						<u>66,295</u>	<u>100.0</u>

Note: Subcontractor A represents two entities which were ultimately controlled by the same shareholder.

BUSINESS

For the year ended 31 March 2016:

Rank	Subcontractor	Principal business of the subcontractor	Subcontracting service provided	Year(s) of business relationship	Typical credit terms and payment method	Subcontracting charges	
						HK\$'000	%
1	Subcontractor A (Note)	A Hong Kong company engaged in building and construction and excavation work	ELS and pile cap construction work	6	Within 30 days from the date of invoice; mainly by cheque	82,612	50.0
2	Subcontractor E	A Hong Kong company engaged in piling work	Piling work	2	Within 30 days from the date of invoice; mainly by cheque	30,961	18.8
3	Subcontractor G	A Hong Kong company engaged in piling and drilling work	Drilling work	12	Within 30 days from the date of invoice; mainly by cheque	14,083	8.5
4	Subcontractor H	A Hong Kong company engaged in piling work	Piling work	9	Within 15 days from the date of invoice; mainly by cheque	12,133	7.4
5	Subcontractor I	A Hong Kong company engaged in drilling work	Drilling work	3	Within 30 days from the date of invoice; mainly by cheque	6,987	4.2
Five largest subcontractors combined						146,776	88.9
All other subcontractors						18,367	11.1
Total subcontracting charges						<u>165,143</u>	<u>100.0</u>

Note: Subcontractor A represents two entities which were ultimately controlled by the same shareholder.

BUSINESS

For the four months ended 31 July 2016:

Rank	Subcontractor	Principal business of the subcontractor	Subcontracting service provided	Year(s) of business relationship	Typical credit terms and payment method	Subcontracting charges	
						HK\$'000	%
1	Subcontractor A (Note)	A Hong Kong company engaged in building and construction and excavation work	ELS and pile cap construction and excavation work	6	Within 30 days from the date of invoice; mainly by cheque	30,001	64.7%
2	Subcontractor E	A Hong Kong company engaged in piling work	Piling work	2	Within 30 days from the date of invoice; mainly by cheque	3,391	7.3
3	Subcontractor J	A Hong Kong company engaged in welding work	Welding work	1	Within 30 days from the date of invoice; mainly by cheque	3,032	6.5
4	Subcontractor G	A Hong Kong company engaged in piling and drilling work	Drilling work	12	Within 30 days from the date of invoice; mainly by cheque	2,615	5.6
5	Subcontractor I	A Hong Kong company engaged in drilling work	Drilling work	3	Within 30 days from the date of invoice; mainly by cheque	1,726	3.7
Five largest subcontractors combined						40,765	87.9
All other subcontractors						5,604	12.1
Total subcontracting charges						46,369	100.0

Note: Subcontractor A represents two entities which were ultimately controlled by the same shareholder.

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

BUSINESS

Major terms of engagement with our subcontractors

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

Contract period : The duration of the subcontracting agreement is in line with the duration of the main contract between us and our customer.

Rights and obligations of the subcontractor : A subcontractor is required to comply with the relevant terms and perform its works in accordance with the specifications under the main contracts on a back-to-back basis.

Subcontracting fee and payment terms : The subcontracting fee to be received by the subcontractor is usually represented in a provisional sum, which is subject to re-measurement 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.

The credit period granted by our subcontractors is normally within 30 days upon issuance of invoice. Therefore, our Directors consider that our payment pattern does not deviate from the requirements stipulated in the SOPL and our payment practice, cash management and liquidity will not be affected by the SOPL if it becomes effective.

Site utilities : Water, electricity and lighting is provided by our Group for site operations.

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, which depends on negotiation with our subcontractors, represents 5% or 10% or the value of our works done, subject to a ceiling of up to 2.5% or 5% of the total original contract sum. The terms and conditions on release of retention money also vary from contract to contract, which may be subject to completion of contract works or a pre-agreed time period after completion of the contract works. 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.

Insurance : In general, it is the obligation of the main contractor of the project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Please refer to the paragraph headed “Insurance” in this section below for further details.

BUSINESS

- Liquidated damages* : A subcontractor is required to pay liquidated damages to us for any significant delay in completion of works subcontracted to them, subject to any extension of time as may be granted by us.
- Termination* : If the subcontractor leaves the work uncompleted, fails to complete the work on the date for completion or, if in the opinion of our project manager the work is unsatisfactory or likely to be so and causes unduly delay to the overall progress of the main contract, our Group may terminate the subcontracting agreement by giving advance notice of intention to do so.
- Safety* : The subcontractor shall comply with the provision of statutory safety regulations relating to the carrying out of the subcontracting works. The subcontractor shall also indemnify our Group against any expenses, penalties and other losses sustained occasioned as a consequence of the subcontractors' non-compliance with the safety ordinance or regulations.
- Management and supervision* : The subcontractor is required to designate a representative at the job site to supervise their works and liaise with our Group.
- 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

In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. During project implementation, our project team regularly meets with our subcontractors and closely monitors their work progress and performance as well as their compliance with our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the sub-sections headed "Quality control", "Occupational health and safety" and "Environmental Protection" in this section.

During the Track Record Period and up to the Latest Practicable Date, 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

Concentration of suppliers and subcontractors

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our five largest suppliers (excluding our subcontractors) accounted for approximately 96.0%, 95.6%, 96.4% and 98.6% of our total purchases whereas our largest supplier accounted for approximately 54.9%, 73.9%, 53.1% and 44.9% of our total construction material costs for the same periods. For the same period, our five largest subcontractors accounted for approximately 58.4%, 88.2%, 88.9% and 87.9% of our total subcontracting charges whereas our largest subcontractor accounted for approximately 19.1%, 39.7%, 50.0% and 64.7%, respectively. Despite such concentration of suppliers and subcontractors, our Directors consider that we are not overly reliant on any single supplier or subcontractor for the following reasons:

- some of the projects undertaken by us were of relatively large contract sum and could last for a relatively longer period of time, and when we purchase materials from a supplier or engage a subcontractor for a foundation project, a substantial amount of purchase cost or subcontracting charges may be payable to such supplier or subcontractor (as the case may be), resulting in it becoming one of our largest suppliers or subcontractors in a financial year;
- our Directors consider that there is abundant suppliers and subcontractors providing the same kind of construction materials or providing the same kind of services (as the case may be) in the market; and
- we maintain a list of about 83 approved suppliers and 41 approved subcontractors which is reviewed and updated periodically. Our Directors consider that our comprehensive list of approved suppliers and approved subcontractors already assures a reasonably diversified base of reliable supplier and subcontractors which meet our quality standards.

MACHINERY AND EQUIPMENT

Most of the works involved in our foundation 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 Japan, United Kingdom and China. We believe that our investment in machinery and equipment has placed us in a strong position to proactively exploit market opportunities and compete cost effectively for foundation projects of different sizes. Our direct control over our machinery and equipment also allows us to avoid over-reliance on leasing from external parties.

Besides using our own machinery and equipment, during the Track Record Period, we leased certain machinery from external parties. Usually the machinery leased from external parties includes crawler cranes, hydraulic hammer and generators. For each of the three years ended 31 March 2016 and the four months ended 31 July 2016, the total costs for machinery leasing amounted to approximately HK\$4.2 million, HK\$0.7 million, HK\$10.5 million and HK\$4.4 million, respectively.

BUSINESS

For each of the three years ended 31 March 2016 and the four months ended 31 July 2016, we acquired new machinery in the amount of approximately HK\$20.0 million, HK\$2.6 million, HK\$24.2 million and HK\$5.6 million, respectively. As at 31 July 2016, our machinery carried a net book value of approximately HK\$47.2 million.

The principal machinery of our Group as at 31 July 2016 include the following:

Machinery	Number of units	Function and usage	Appropriate weighted average remaining useful life (years) <i>(Note)</i>	Acquisition costs <i>HK\$'000</i>	Carrying value as at 31 July 2016 <i>HK\$'000</i>
Crawler cranes	16	Used for lifting and lowering materials and to transport heavy things with it	0.2	25,011	1,730
Pile drivers	18	Used for carrying a hammer to drive piles into the ground	0.6	31,875	8,443
Drilling rigs	8	A track mounted machine used with hydraulic drilling equipment in mini-piling	0	3,570	0
Hydraulic hammers	21	A percussion hammer mounted on a pile driver powered by hydraulic system to drive piles into ground	3.1	35,265	19,304
Air compressors	19	Used in conjunction with pre-boring plant to flush clean the debris inside the pre-bored holes during the preboring operation	1.1	11,426	2,022
Generators	47	Used for generating electrical energy for welding machines and pumps	3.0	8,020	4,281
Excavators	8	Used for digging of trenches, holes, trial pits, pile caps and demolition	0.9	3,532	755
Preboring plants	68	A set of machines consist of drill bits, DTH hammers and rotators, used for removing soil and rock to create holes for socketed H-piles	3.5	25,539	7,787
Others	48	Piling equipment and accessories	1.8	9,492	2,912
Total:				<u>153,730</u>	<u>47,234</u>

Notes: The 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 range from 12.5% to 20.0%. When the machinery is fully depreciated, the remaining useful life will be zero and results in a lower weighted average remaining useful life.

BUSINESS

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 average remaining useful life of our machinery based on accounting estimation is approximately 2.4 years. We replace aged machinery only when necessary. Pursuant to our accounting policies, depreciation of machinery is provided for using straight-line method over a period of five to eight years. We plan to acquire additional crawler cranes, hydraulic hammers, pile drivers and preboring rigs, which our Directors consider to be the principal types of machinery for our operations, to further optimise our efficiency and technical capability. The expected total capital expenditure for the acquisition of the aforesaid machinery and equipment will be approximately HK\$62.0 million, which will be financed by the proceeds from the Share Offer. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for details on the use of proceeds for acquisition of additional machinery and equipment. 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.

Compliance of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation

As at the Latest Practicable Date, our Group has approximately 70 exempted machines with proper label issued by the Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Please refer to the section headed “Laws and regulations – Hong Kong laws – C. 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)” for further details.

Repair, maintenance and safekeeping

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 foundation works smoothly and efficiently and is, in particular, directly related to the safety of our workers. Generally the repairs and maintenance works of our machinery are handled by our repair and maintenance team who are capable of repairing minor defects in machinery such as replacing the worn-out or malfunctioning parts and components of a machinery when it becomes out of order. Some of our machineries are inspected and serviced regularly. For malfunctioning machinery that requires major examination and/or specialised skills, we will send such malfunctioning machinery to the authorised dealer for repairs if the machinery is still under warranty, or send to other third party repair companies.

Machinery that are in use at work sites are kept under the general management of the respective work sites. During the Track Record Period, site equipment that was not in use was stored in our warehouse located in a leased premises located in Fanling, which were equipped with locked gates.

BUSINESS

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

Taking into account our liquidity position and capital need, during the Track Record Period, our Group financed the purchase of some machinery and equipment and motor vehicles through finance leases. In considering whether or not to enter into finance lease arrangements, 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, 2016 and 31 July 2016, the interest rates ranged from 3.6% to 5.3% per annum, respectively, for our finance leases.

During the Track Record Period, our Group acquired machineries including hydraulic hammers and motor vehicles by way of finance leases, under which our Group had to pay stipulated monthly rents for use of the relevant machinery in a fixed term. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the machinery and the motor vehicle to our Group as the lessee, the relevant machineries were accounted for as our Group's assets under the category of property, plant and equipment. Our Group had machineries under finance leases with net book value amounting to approximately HK\$36.7 million, HK\$27.5 million, HK\$18.7 million and HK\$16.5 million as at 31 March 2014, 2015, 2016 and 31 July 2016, respectively.

Service capacity and utilisation rate

Due to the unique nature of our foundation business and operations, our Directors consider that it is not feasible and not practicable to quantify and disclose detailed utilisation rate of our machinery for the following reasons:

- The utilisation rate of individual machinery cannot be clearly defined. A typical foundation project requires the use of different machinery at different stages, and machinery from time to time are left unused in active sites pending completion of other stages. Machinery are also sometimes left unused for repairing, assembling or disassembling in sites. For these reasons, it is our Directors' view that it would be difficult and even infeasible to define accurate utilisation rate of machines in general.
- As set out in the fixed asset register of our Group as at 31 July 2016, we had 253 items of machinery, equipment and tools. Given the number of machinery owned by our Group, it is impractical for us to make a full account of the daily/hourly usage of each individual machine.

Although our Group does not quantify the utilisation rate of our machinery due to the above reasons, our Directors and management do monitor the overall deployment of our machinery in each of our construction site. We assess the current utilisation and anticipated need for our different types of machinery and formulate acquisition plan based on the status of our projects on hand, the number of our projects in the pipeline and their specific requirements, and our assessment on the availability and condition of our existing machinery.

BUSINESS

Rental income from lease of machinery

Our machinery are usually mobilised among the construction sites. Unutilised machinery will be temporarily stored in our warehouse located in Fanling, New Territories. Occasionally, our machinery are leased to other third party foundation contractors. During the Track Record Period, we leased our machinery to customers if the machinery was not 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 foundation 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. For each of the three years ended 31 March 2016 and the four months ended 31 July 2016, our Group derived income of approximately HK\$6.4 million, HK\$7.1 million, HK\$2.5 million and HK\$0.2 million, respectively, from construction machinery leasing.

QUALITY CONTROL

To maintain consistent quality services for our customers, we have in-house quality management system which is certified to be in compliance with the requirements of ISO 9001:2008 quality standards which specifies, 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 and accident reporting and complaints. Our workers and our subcontractors are required to follow such procedures. Ms. Amanda Chan, our executive Director, is responsible for managing our quality management system. For the background and industry experience of Ms. Amanda Chan, please refer to the section headed "Directors, senior management and employees" in this prospectus.

Quality control on our services

Our Group's quality management system is contained in our project quality plan which sets out the steps to be carried out throughout the foundation works process from pre-construction stage to maintenance stage. To ensure that our works meet the required standard, we normally assign one foreman on a full time basis at each of the construction sites as the first line of monitoring the quality of foundation works done by our own staff and, as the case may be, our sub-subcontractors. Our project manager makes visits to construction sites for which he is responsible and monitors the work quality, the progress of work and ensure that works are completed according to schedule.

Furthermore, our project management teams communicate frequently with our executive Directors who closely monitor the progress of each project and discuss issues identified to ensure the foundation 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. Since remedies for defective piling construction works are often not possible once construction works for the superstructure have commenced, we would conduct thorough testing of the piles before completion of foundation works so as to ensure that our piling construction works meet or exceed the required standards prior to commencement of construction works of the superstructure.

BUSINESS

Quality control on construction materials and machinery

We closely monitor the quality of purchased materials and machinery. To ensure the quality of supplies, prior to ordering, we will ensure that the materials are sourced from our approved suppliers to ensure overall quality of supplies. Upon arrival of the ordered materials, all materials are sent directly to the relevant work sites for inspection by our authorised persons 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 and complies with the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. In addition, for certain public sector projects, our Group is also required to engage independent professionals to perform inspection and quality tests on sample materials such as structural steel. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers. Our customers would also inspect the materials used by us at project sites and verify the specifications from time to time.

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

OCCUPATIONAL HEALTH AND SAFETY

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

Our occupational health and safety management system is certified to be in compliance with the standard required under OHSAS 18001:2007 since October 2010 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 foundation 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. 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.

BUSINESS

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

- we established our safety committee which is currently chaired by Ms. Amanda Chan, our executive Director, and consists of our management representatives, our staff representatives such as project engineer and foreman as well as our safety manager for the purpose of setting safety policy to manage occupational health and safety measures relating to our operation;
- our project manager for each project shall (i) ensure from the planning stage that safety systems of work are incorporated into our proposed construction methods, and are subsequently adhered to; and (ii) assist in reviewing the safety plan on an annual basis;
- our engineering manager will visit our sites at which the project is on-going once a week;
- our safety manager shall (i) advise our management on the legal requirements affecting safety and health and assist in reviewing the safety plan on an annual basis; (ii) anticipate possible hazards and recommend relevant procedures; (iii) carry out inspections to ensure that all relevant laws are being observed; and (iv) submit monthly reports to the management, provide statistics and analysis on accidents and make recommendations for improvement;
- our safety officers and safety supervisors 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 officers and safety supervisors shall (i) ensure compliance with relevant statutory duties; (ii) give instructions to site foreman and subcontractors on correct and safe working practices; and (iii) take disciplinary actions against employees violating safety regulations and/or company safety procedures;
- all site personnel will undergo initial induction training for at least half a day, including 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. Other matters pertinent at the time of induction, such as working at height, lifting operations, blasting and excavations will also be included. All supervisory personnel and operators will attend refresher courses at intervals of not exceeding twelve months; and
- we conduct safety walk by our site agent, safety officer, safety supervisors, site foreman and the relevant subcontractor's representative to assess general compliance with safety requirements from time to time.

BUSINESS

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong) (the “**Safety Management Regulation**”), any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in a single or two or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. During the Track Record Period, our Group appointed registered safety auditor to conduct several safety audits on Simon & Sons, our key operating subsidiary, 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.

System of recording and handling accidents and our safety compliance record

For projects that we act as main contractor, when there is an accident at our site we require any injured worker or person who witnessed the accident to report to our safety officer and safety supervisors who will record the accident for the purposes of collecting information for processing employees’ compensation claims as well as compliance with the relevant regulations in Hong Kong regarding the reporting of all work injuries at our sites to the Labour Department. For projects that we act as subcontractor, we require our workers or employees of our subcontractors to report any accident to us and the main contractors. To ensure proper recording and handling of work injuries, we follow a general procedure as below:

- Fact finding and follow-up actions
 - Our safety officer and safety supervisors 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 and safety supervisors will also carry out follow-up inspection to ensure that remedial works are implemented.
- Reporting
 - Our safety officer and safety supervisors will prepare a work injury report and, if it is an employee injury reportable case, submit it to the Labour Department within the period as specified under the relevant laws and regulations.
 - Our administrative department will report to the insurance company and, where the claim is significant, consult external legal adviser (if necessary).

BUSINESS

- Settlement or litigation
 - Settlement of any claim will be handled by the insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

During the Track Record Period and up to the Latest Practicable Date, there were 17 accidents which gave rise or may give rise to potential employees' compensation claims and/or personal injury claims.

The table below sets out the nature of the 17 accidents occurred during the Track Record Period and up to the Latest Practicable Date:

Nature of accident	Number of accident
Slipped and fell	7
Striking against fixed or stationary object	2
Contact with electricity or electric discharge	2
Injured while lifting or carrying	1
Exposure to fire	1
Others	<u>4</u>
Total:	<u><u>17</u></u>

For further details of 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.

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 also have not suffered from any removal, suspension, downgrading or demotion of our licences or permits due to accidents or breaches of workplace safety regulations.

We have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, these incidents did not and are not expected to have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" below in this section.

BUSINESS

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	1.57
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	2.64
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	1.2
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.
2. Our Group's rates are calculated with reference to the number of injuries divided by the daily average site workers in our Group's construction sites during the year and multiply the result by 1,000. The daily average site workers only consisted of employees of our Group. Given our Group is not responsible for the engagement of workers for our subcontractors and determining how many workers should be employed to carry out their works, and also the fact that the subcontractors did not provide our Group with the number of hours used to complete their subcontracted works, the daily average site workers relating to our subcontractors cannot be ascertained.

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

For the year ended 31 December 2013	0.47
For the year ended 31 December 2014	0.79
For the year ended 31 December 2015	0.34

Note:

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.

BUSINESS

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.

ENVIRONMENTAL PROTECTION

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. We also endeavour to meet the requirements of certain industry's codes of practice such as the BEAM Plus New Buildings issued by the Hong Kong Green Building Council and the BEAM Society.

In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004 since December 2004. 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. Specifically, we adopt the following measures to ensure proper management of environmental protection and compliance of environmental laws and regulations in the course of project execution:

- We prepare an environmental management plan for our public sector projects. An environmental management plan typically sets out the environmental protection measures such as noise reduction, air pollution control, water pollution control and waste management.
- Our environmental manager will designate our environmental officer to conduct site inspection on a daily basis to ensure that site works are carried out in accordance with the environmental management plan. Our environmental officer is responsible for monitoring the ongoing compliance with the environmental management plan and providing environmental training for on-site workers. We require our subcontractors to strictly comply with our environmental management plan on the basis of appropriate training.
- Our environmental officer provides advice to our environmental manager on environmental protection issues including noise abatement, air pollution control, water pollution control and waste management that are identified during daily inspection. This enables us to review and update the environmental management plan to cater for the site conditions and improve the effectiveness of the environmental management plan on an ongoing basis.
- We are required to report to our customers on the effectiveness of the implementation of the environmental management plan on a monthly basis. Our environmental officer assists our environmental manager to compile monthly environmental reports for submission to customers.

BUSINESS

In addition, we have established an energy management system and were awarded ISO 50001:2011 certificates since November 2015. We follow the requirements under the energy management system and encourage our staff to contribute towards sustainability by adopting environmentally friendly construction method and planning their works to efficiently eliminate waste to the maximum extent with the view to achieving long-term cost savings.

For the three years ended 31 March 2016 and the four months ended 31 July 2016, we incurred approximately HK\$431,000, HK\$47,000, HK\$162,000 and HK\$31,000, respectively, which primarily consisted of waste disposal charges and environmental related ISO certification expenses. Our Group estimates that its annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with its scale of operation.

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

INSURANCE

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

(i) Employees' compensation insurance

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

(ii) Contractors' all risks insurance and other insurance taken out by the main contractor

Contractors' all risk insurance policies are either taken out by our Group (if we act as a main contractor) or by the main contractor (if we act as a subcontractor). Contractors' all risk insurance typically covers (a) liability arising from potential bodily injury to third parties or death as a result of the performance of our contract works undertaken by us or by our subcontractors at the construction site; and (b) liability arising from damage to third parties' properties as a result of the performance of our contract works undertaken by us or by our subcontractors at the construction site. Our Directors confirm that there is no statutory requirement on minimum insurance coverage of contractors' all risks insurance.

BUSINESS

We are exposed to certain inherent risks relating to foundation works and it is not unusual to encounter certain difficult or dangerous conditions at the underground level or works site which may result in personal injuries or even fatality of site workers. Please refer to the section headed “Risk Factors – Risks relating to our foundation business – We are exposed to certain inherent risks relating to foundation works” in this prospectus for further details. Our Directors consider that such risks and liabilities will be well covered under the contractors’ all risk insurance on and subject to the terms and conditions of the insurance policy.

(iii) Other insurance coverage

Our Group has maintained insurance coverage against, among others, (a) third party liability in relation to the use of our vehicles for an amount of up to HK\$100 million per event; (b) liability for third party bodily injury occurred in our office premises for an amount of up to HK\$10 million per event; and (c) loss or damage of certain of our major machinery and equipment for an aggregate amount of approximately HK\$50 million.

Uninsured risks

Certain risks disclosed in the section headed “Risk Factors” in this prospectus, such as risk in relation to customer concentration, our ability to secure new contractors, potential claims arising from estimation and management of costs, subcontractors’ performance, liquidity risk, etc., are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In particular, although our insurance policy does not cover any losses and claims caused by substandard performance of our subcontractors, we can either deduct the retention monies payable to such subcontractor or claim against such subcontractor for losses attributable to their substandard performance pursuant to the indemnity clause of the subcontracting agreement. Our Directors consider that the risk of losses or claims caused by substandard performance of works of or delay caused by the subcontractors is low. Further, during the Track Record Period, we did not experience any claims from our customers in respect of the latent defects. Please refer to the paragraph headed “Internal control and risk management” in this section below for further details regarding our Group’s management of certain uninsured risk.

Our Directors believe that the above arrangements are consistent with industry norm in Hong Kong. We consider that the aforesaid insurance coverage is sufficient for our liabilities under employees’ compensation claims and personal injuries actions at the project sites. Taking into account the insurances taken out by our Group, our Directors believe that we have obtained adequate insurance coverage for the operation of our business. For each of the three years ended 31 March 2016 and the four months ended 31 July 2016, our insurance expenses were approximately HK\$4.2 million, HK\$1.3 million, HK\$4.2 million and HK\$1.2 million, respectively, which primarily consisted of contractors’ all risks insurance, employees’ compensation insurance for both site labour and office staff; and insurance for machinery located in our depot. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we had 119 full-time 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
Executive Directors and general management	7
Administration, accounting and finance	10
Project management and supervision	21
Engineering and technical staff	16
Plant and machinery maintenance	6
Operation	<u>59</u>
	<u><u>119</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 aim to recruit suitable candidates for job vacancies to cope with the business development of our Group.

We provide various types of trainings to our employees, including those on occupational health and safety in relation to our work.

Remuneration policy

The remuneration package our Group offered to our employees includes salary and bonuses. 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.

BUSINESS

Our Group operates MPF scheme for all qualifying employees in Hong Kong. During the three years ended 31 March 2016 and the four months ended 31 July 2016, the total expenses recognised in the combined statements of comprehensive income amounted to approximately HK\$1.6 million, HK\$1.2 million, HK\$2.0 million and HK\$0.7 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 – Hong Kong laws – B. Laws and regulations in relation to construction labour, health and safety – Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)” 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.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity.

MARKET AND COMPETITION

According to the Ipsos Report, the foundation industry in Hong Kong is fairly consolidated with the top five players which accounted for approximately 48.3% of the total industry revenue in 2015. As of January 2016, there were 138 registered contractors under the Buildings Department as the Specialist Contractors (Sub-register of Foundation Works Category), and 40 registered contractors under the Development Bureau as the Specialist Contractors for Public Works under the land piling category. Furthermore, there were 14 registered contractors in the large diameter bored piling category and 9 registered contractors in the percussive piling category of the Housing Authority (including our Group), respectively. In 2015, the top five foundation contractors contributed approximately HK\$10.9 billion to the total revenue of the foundation contracting industry in Hong Kong.

BUSINESS

Our Directors consider that our technical expertise, quality of work, stable relationship with customers, suppliers and subcontractors, our fleet of foundation machinery, project pricing and safety records are the determinants of competitiveness of a foundation contractor in Hong Kong. Entry barriers to the foundation industry in Hong Kong mainly include sufficiency of practical industry experience, technical capability, capital requirement and significant capital investment in foundation machinery. For details, please refer to the section headed “Industry overview – Competitive landscape – Entry barriers to the foundation industry in Hong Kong” in this prospectus.

According to the Ipsos 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 foundation business in both private and public sectors. With our own proven track record, experienced project management team, possession of necessary machinery and equipment, specialist knowledge in the foundation industry and stable relationship with our key customers, suppliers and subcontractors, details of which are set out in the paragraph headed “Competitive strengths” in this section, our Directors believe that our Group is well-positioned to capture the growing demand for foundation services in Hong Kong.

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

PROPERTIES

Leased properties

The following table summarises the information regarding our leased properties during the Track Record Period and up to the Latest Practicable Date:

Address	Landlord	Approximate gross floor area (sq. ft)	Use of the property	Key terms of the tenancy
Unit 103-105, 1/F., New East Ocean Centre, No. 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong	An independent third party	4,100	Office use	Monthly rent of HK\$112,104 (exclusive of rates, government rent, management fee and other outgoings) for a term of 3 years commencing from 16 September 2013 to 15 September 2016 (both days inclusive). A renewal agreement was signed for a term of 3 years commencing from 16 September 2016 to 15 September 2019.
Lot Nos 2172 RP, 2173 RP, 2177 RP, 2180, 2175 sA RP, 2175 sB, 2175 sC, 2175 sD and 2175 sE (Portion) in Demarcation District 76 (the “Lots”) at Hung Leng, Fanling, New Territories, Hong Kong	An independent third party	40,000	Depot for maintenance of machinery and equipment	An aggregate monthly rent of HK\$82,300 (inclusive of rates and government rent but exclusive of management fee and other outgoings) for a term of 2 years commencing from 1 February 2016 to 31 January 2018 (both days inclusive).

BUSINESS

As advised by the Legal Counsel, the open storage of machinery and equipment on the Lots falls within the permitted use under the relevant land-use zoning plan and complies with the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong), the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong) and the government lease conditions and so long as there is no unauthorised structure erected on the Lots. Our Directors confirm that as at the Latest Practicable Date, no building or structure is erected on the Lots. Furthermore, our right to use Lot No. 2175 sE (Portion) (the “**Land**”) may be uncertain due to unclear ownership of the Land. We are advised by the landlord that they had purchased the Land but the relevant title document has not be registered with the Land Registry. As such, our Group may be subject to allegation of trespassing by a party who asserts his or her or its ownership over the Land. Furthermore, we might be ordered to be evicted from the Land and requested to pay the open market rental for our occupation of the Land. In the event the aforesaid actions are taken by such party, our Group may make a claim against the landlord. We were informed by the landlord that they are applying for registration of their title document with the Land Registry in respect of their purchase of the Land. We consider that the possibility of our Group being evicted from the Land is remote given that we have not received any notice requesting us to vacate the Land during the period of our occupation of the Land up to the Latest Practicable Date. In the unlikely event that we are being evicted, we will relocate our machinery and equipment to other leased properties adjacent to the Land as a temporary measure and we will explore the possibility of leasing another piece of land for storage as soon as practicable.


Other property

We owned a residential property located at Flat E, Block C3 on the First Floor, and Parking Space 8 on the Ground Floor, Hong Lok Yuen, New Territories, Hong Kong for property investment purpose. Such investment property was purchased by us in March 1996 for a consideration of HK\$4,220,000.

As at the Latest Practicable Date, no single property interest forming part of our Group’s non-property activities had a carrying amount of 15% or more of our total assets. Thus, this prospectus is exempted from compliance with the requirements of rules 5.01A and 5.01B of the Listing Rules and the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, with respect to the inclusion of a property valuation report in this prospectus.

Save as disclosed above, our Group did not have any other property interests as at the Latest Practicable Date.

INTELLECTUAL PROPERTY

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

BUSINESS

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.

LICENCES AND PERMITS

As confirmed by our Directors, our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date. Contractors qualified or licensed by the relevant authorities are subject to a regulatory regime which is put in place to ensure that quality standards, financial capability, expertise, management, environmental and safety are complied with contract or statutory requirements by the contractors in carrying out their works in both public and private sectors. For details, please refer to the section headed “Laws and regulations” in this prospectus.

The following table sets out our major qualifications and licences held by us:

Relevant Government departments or public organisations	Registrations and qualifications	Holder	Date of first registration	Expiry date	Authorised contract value
<i>Hong Kong licences</i>					
WBDB	Approved Specialist List – land piling (Group II)	Simon & Sons	February 1999	– (Note 1)	Unlimited
Housing Authority	List of piling contractors (confirmed) – percussive piling	Simon & Sons	September 2000	– (Note 2)	Unlimited
Buildings Department	• Registered specialist contractor – foundation works	Simon & Sons	March 2000	March 2018	Not applicable
	• Registered specialist contractor – site formation works	Simon & Sons	March 2000	November 2018	Not applicable
	• General building contractor	Simon & Sons	November 1999	March 2018	Not applicable
PCICB Registration Limited (currently known as Construction Industry Council)	Registered Subcontractor under the Voluntary Subcontractor Registration Scheme	Simon & Sons	November 2004	October 2016 (Notes 3 and 4)	Not applicable
	– Foundation and Piling				
	– Concreting Formwork				
	– Reinforcement Bar Fixing				
	– Concreting				
	– Concrete Precast Component				
	– General Civil Works				
Construction Industry Council	Registered Subcontractor under the Voluntary Subcontractor Registration Scheme	Vanbo Engineering	June 2010	June 2018 (Notes 3 and 5)	Not applicable
	– Foundation and Piling				
<i>Macao licence</i>					
DSSOPT	Registered as a contractor	Simon & Sons (Macao)	February 2005	December 2016	Not applicable

BUSINESS

Notes:

1. Registrations or qualifications with WBDB are not subject to periodic renewal condition except for capital requirement.
2. Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements set out in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of a renewal application fee. Renewal requirements include but are not limited to statutory registration, ethical integrity, quality, environmental and safety management system and financial capability.
3. The registration with the Construction Industry Council is due for renewal every two years. An application for renewal should be submitted within three months before expiry of the current registration by providing information and supporting documents to show continued compliance with the entry requirements.
4. Simon and Sons has submitted its application for renewal of the registration with the Construction Industry Council and as at the Latest Practicable Date, we were still awaiting the outcome of such application.
5. Simon & Sons will submit application for renewal of the registration to the Construction Industry Council before the deadline and our Directors do not expect any impediment to renewal of such registration.

Some of the above registrations or qualifications are subject to annual review and renewal. Our Group will renew all existing registrations and qualifications accordingly before their respective expiry dates. We have not experienced any refusal of renewal of the registrations or qualifications necessary for our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these registrations and qualifications.

Furthermore, in order to maintain our registrations with the Buildings Department, Simon & Sons, our principal operating subsidiary, have at least one Authorised Signatory to act for it for the purposes of the Building Ordinance and one Technical Director to carry out certain duties, details of which are set out in the section headed “Laws and regulations – Hong Kong laws – A. Laws and regulations in relation to the contractor licensing regime – General building contractor/specialist contractor” in this prospectus.

Set out below are the Technical Directors and the Authorised Signatories of Simon & Sons for purposes of the Buildings Ordinance:

Qualification	Technical Director(s)	Authorised Signatory(ies)
Simon & Sons Engineering Limited		
Registered specialist contractor in foundation works category	Mr. Gary Chan Mr. Cheung Ka Ngai	Mr. Gary Chan Mr. Chen Tai Ping
Registered specialist contractor in site formation category	Mr. Cheung Ka Ngai	Mr. Chen Tai Ping
General building contractor	Mr. Gary Chan	Mr. Gary Chan

BUSINESS

AWARDS AND RECOGNITIONS

We have received a number of awards or certificates during our operating history in recognition of our commitment and dedication to our quality management system, occupational health and safety management and environmental compliance. The following table summarises the awards or certifications obtained by our Group:

Certifications for compliance with ISO/OHSAS requirements

Nature	Certification	Awarding organisation or authority	Holder	Validity period
Quality Management System, Environmental Management System	ISO 9001:2008 ISO 14001:2004	HK Certification Services International Limited	Simon & Sons <i>(Note 1)</i>	28 September 2010 – 14 September 2018
Occupational Health and Safety Management System	OHSAS 18001:2007	HK Certification Services International Limited	Simon & Sons <i>(Note 1)</i>	5 October 2010 – 15 March 2018
Energy Management System	ISO 50001:2011	HK Certification Services International Limited	Simon & Sons <i>(Note 2)</i>	27 November 2015 – 26 November 2018

Notes:

1. The scope covers design and construction of driven H-piles, pre-bored socket in rock H-piles, mini piles; pipe piles and pile cap works; site formation works (including landslip preventive and remedial works to slopes and retaining walls) and footing works. Prior to the above certifications, our quality management system was first certified to be in compliance with the standard required under ISO 9001:1994 and ISO 14001:2004 since 1998 and 2004, respectively.
2. The scope covers design and construction of driven H-piles, pre-bored socket in rock H-piles, mini piles; pipe piles and pile cap works.

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.

BUSINESS

Awards in recognition of our Group's safety and environmental compliance

Date	Award or recognition
2014	Safety Award 2014 – Zero Accident Award by Sun Fook Kong Construction Group
2015	Safety Award 2015 – Zero Accident Award by Sun Fook Kong Construction Group
2016	22 nd Considerate Contractors Site Award Scheme – Model Subcontractor Award by Development Bureau and Construction Industry Council

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, our Group did not involve in any material civil claims and litigations against our Group.

Litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date

Our Group's liabilities in a case of personal injuries to our employees by accidents arising out of and in the course of their employment include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system which gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment, or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. For some of the potential claims, even if the relevant employees' compensation had been settled under our employees' compensation insurance, the injured employees may still pursue litigation claims through personal injury claims against us under common law. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

Our Directors confirmed that to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, (i) we were subject to two ongoing employee's compensation claim; (ii) we were not subject to any personal injury claim; and (iii) our Group recorded 17 workplace accidents that occurred during the Track Record Period and up to the Latest Practicable Date and save for the two ongoing employees' compensation claims, the injured persons have not yet filed any claims or commenced legal proceedings against our Group and such workplace accidents may give rise to potential employees' compensation or personal injury claims.

BUSINESS

Potential claims refer to those claims that have not commenced against our Group but are within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). As such court proceedings have not commenced, we are not in a position to assess the likely quantum of such potential claim. Our Directors take the view that the amount of such potential claim to be borne by our Group in the proceedings shall be covered by relevant insurance policy. These accidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or any adverse impact on our Group to obtain any licences or permits for our operation. Moreover, there are insurance policies in place to cover our potential liabilities in relation to the above. For details, please refer to the paragraph headed "Insurance" in this section.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether it is criminal, administrative, contractual, tortious nature or otherwise against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the section headed "Statutory and general information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus for details of the Deed of Indemnity.

Save as disclosed above, our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, are not aware of any litigation proceedings pending or threatened against us which could have a material adverse effect on our financial condition or results of operations.

BUSINESS

NON-COMPLIANCE

During the Track Record Period, there were certain non-compliance incidents of our Group with the Inland Revenue Ordinance in respect of timely submission of statutory forms to the Inland Revenue Department, details of which are as follows:

Relevant section of the ordinance	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Estimated/actual fine/penalty
Non-compliance with section 51(1) of the Inland Revenue Ordinance	Late submission of a total of 12 notices (Form 56M) regarding notification of remuneration paid to persons other than employees to the Inland Revenue Department for the years ended 31 March 2014 and 2015, respectively	The omission was not willful and was due to inadvertent oversight of the administrative staff responsible for employee records.	The relevant statutory forms were subsequently filed on 24 February 2015 and 15 May 2015, respectively	Under the Inland Revenue Ordinance, the maximum penalty for each offence is HK\$10,000. Accordingly, a total maximum penalty of HK\$120,000 may be imposed on our Group in respect of this non-compliance issue. As advised by our Legal Counsel, having considered that the offence is inadvertent by nature and there is no evidence showing tax evasion by our Group, our Legal Counsel is of the view that the likelihood of the Inland Revenue Department instituting prosecution against our Group for the non-compliance is minimal.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which constitute material impact non-compliance or systemic non-compliance and our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them are in force.

As confirmed by our Directors, as at the Latest Practicable Date, our Group did not receive any notices for any fines or penalties for any non-compliance that is material and systemic. Based on the advice of our Legal Counsel on the non-compliance with the Inland Revenue Ordinance as abovementioned, our Directors are of the view that there would be no material impact on our Group's operation or financial positions as a result of the above instances of non-compliance.

It is the opinion of our Macau legal adviser that the mode of operations of the foundation projects carried out by our Group in Macau is lawful and is in compliance with the applicable laws of Macau.

BUSINESS

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity on 24 October 2016 pursuant to which our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, all losses and liabilities which may arise as a result of any non-compliance of our Group with the applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the section headed “Statutory and general information – E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus.

Having taken into account (i) after becoming aware of the non-compliances and after considering the advice of our Legal Counsel, our Directors have taken relevant remedial actions where necessary and appropriate; and (ii) after adopting the preventative measures as set out in the paragraph headed “Non-compliance – Internal control measures to prevent the recurrence of non-compliance incidents” in this section below, there has not been any recurrence of similar types of non-compliances and there was no indication that our Directors lack the ability to operate the business in a fully compliant manner after adopting the preventative measures, our Directors are of the view that the non-compliances do not reflect, in any material respect, negatively on the ability and tendency of our Company and our Directors to operate in a compliant manner.

Furthermore, taking into account (i) the aforesaid non-compliances were mainly due to oversight or misunderstanding of the relevant provisions of the Inland Revenue Ordinance; (ii) the aforesaid non-compliances did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; and (iii) our Directors have adopted the preventative measures as set out in the paragraph headed “Non-compliance – Internal control measures to prevent the recurrence of non-compliance incidents” in this section below, our Directors are of the view that these non-compliances do not reflect a material defect in the character, integrity or experience of our Directors. Our Directors are therefore of the view, and the Sole Sponsor concurs, that our Directors are suitable to act as our Directors under Rules 3.08 and 3.09 of the Listing Rules. Furthermore, given the rectification status of the non-compliances identified as well as the Deed of Indemnity given in favour of us by our Controlling Shareholders, our Directors are of the view, and the Sole Sponsor concurs, that the abovementioned non-compliances do not affect our suitability of Listing under Rule 8.04 of the Listing Rules.

No provision was made in the financial statements of our Group in respect of the aforementioned non-compliances as our Directors have taken into consideration the following: (i) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notices for any fine or penalties in relation to the above non-compliance; (ii) as advised by our Legal Counsel, the likelihood of our Group or our officers being prosecuted, fined or penalised as a result of the non-compliance incidents is remote; and (iii) our Controlling Shareholders shall indemnify our Group pursuant to the Deed of Indemnity.

BUSINESS

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

In relation to the non-compliance incident mentioned above, our Group has engaged an independent internal control adviser (“**IC Consultant**”), to review and provide recommendations to our internal control designs for preventing the recurrence of the above-mentioned non-compliance incidents. After taking into account the recommendations made by IC Consultant, we have assigned our financial controller and company secretary, Mr. Lui Shun Wa Alexander, to oversee compliance issue for chargeable tax notice to the Inland Revenue Department. Mr. Lui will report directly to our Directors and will handle all tax related matters to ensure compliance with the Inland Revenue Ordinance. Further, if necessary, we will appoint external tax consultants and legal advisers to ensure compliance with the relevant Hong Kong tax laws and regulations.

Internal Control and Risk Management

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. In preparation for the Listing and to further improve our internal control system, in August 2015, we engaged IC 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 March 2016, IC Consultant completed the first review of our internal control system on, among others, our control environment, risk assessment, control activities, information and communication, monitoring activities, financial reporting and disclosure, human resources and payroll, cash management and treasury, sales and receipts cycle, project management and compliance procedures with Appendix 14 Corporate Governance Code of the Listing Rules. In order to strengthen our internal control system and aside from the key measures taken to prevent the recurrence of the non-compliance incident stated in the paragraph headed “Non-compliance” in this section, our Group has also adopted or will adopt the following key measures to mitigate the risks relating to our Group:

Customer concentration risk

Please refer to the paragraphs headed “Customers – Customer concentration” above in this section.

Risk of potential inaccurate costs estimation and cost overrun

Please refer to the paragraph headed “Operation flow – Tender phase – Tender price and pricing policy” above in this section to address the risk of potential inaccurate estimation and cost overrun.

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.

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Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. In addition, our Group relies on unsecured bank borrowings as a significant source of liquidity and the management monitors the utilisation of unsecured bank borrowings.

Quality control

Please refer to the paragraph headed "Quality control" above in this section.

Occupational health and safety

Please refer to the paragraph headed "Occupational health and safety" above in this section.

Environmental management

Please refer to the paragraph headed "Environmental protection" above in this section.

Risk of possible failure, damage or loss of machinery

Please refer to the paragraph headed "Machinery and equipment – Repair, maintenance and safekeeping" in this section above.

Corporate governance

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed "Relationship with the Controlling Shareholders – Corporate governance measures" in this prospectus. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after Listing.

Risk relating to compliance with the Listing Rules after Listing

Our Group has adopted the following measures to ensure continuous compliance with the Listing Rules upon Listing:

- We shall establish system and manuals in relation to, among others, distribution of annual or interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.
- Our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.

BUSINESS

- We will engage IC Consultant 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.
- We have agreed to engage Dakin Capital as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.
- We have established an audit committee which comprises all independent non-executive Directors, namely Mr. Li Hon Hung, *MH, JP*, Mr. Siu Miu Man and Mr. Cheng Chi Hung. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed “Directors, senior management and employees” in this prospectus.
- When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

In May 2016, IC Consultant performed a follow up review on our internal control system and we did not note any findings of material weakness or insufficiency in our Group’s internal control system.

Our Directors confirm, and the Sole 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.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), Creative Elite will control 75% of the issued share capital of our Company. Creative Elite is an investment holding company owned as to 45% by Mr. Gary Chan, 28% by Mr. Edmond Chan, 18% by Ms. Amanda Chan and 9% by Ms. Chrissy Chan. For the purpose of the Listing Rules, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite are our Controlling Shareholders. As at the Latest Practicable Date, Creative Elite has not commenced any substantive business activities. Each of Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite confirms that he, she or it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their close associates after the Listing.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs.

During the Track Record Period:

- our Group had certain amounts due to and from our Controlling Shareholders and their related companies. Please refer to note 16 to the Accountants' Report set out in Appendix I to this prospectus for further details. All amounts due to and from our Controlling Shareholders and their related companies were fully settled as at the Latest Practicable Date; and
- certain bank borrowings and overdraft facilities were borrowed by our Group and was secured by, among others, personal guarantees given by Mr. Gary Chan, one of our Controlling Shareholders, and other collaterals provided by his associates, details of which are set out in note 21 to the Accountants' Report as set out in Appendix I to this prospectus. Such personal guarantee and collaterals will be released and replaced by corporate guarantee of our Company, subject to completion of the Listing.

Our Group is able to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of seven Directors, comprising three executive Directors, namely Mr. Gary Chan, Mr. Edmond Chan and Ms. Amanda Chan, one non-executive Director, namely Mr. Simon Chan, and three independent non-executive Directors, namely, Mr. Li Hon Hung, *MH, JP*, Mr. Siu Miu Man and Mr. Cheng Chi Hung. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. Our Directors are of the view that the Board is capable of managing our Group's business independently from the Controlling Shareholders.

Operational independence

Our Group has established its own organisational structure made of individual departments, each with specific areas of responsibilities. We have a clear business delineation with our Controlling Shareholders and as at the Latest Practicable Date, our Group did not share any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

During the Track Record Period, we had certain other transaction relating to project management fee paid to Vanbo Design & Engineering Company ("**Vanbo Design**"), a sole proprietorship established in March 1986 and wholly-owned by Mr. Edmond Chan. Vanbo Design principally carried on the business of project management in foundation projects and served other customers in addition to our Group. In May 2013, Simon & Sons, our operating subsidiary, engaged Vanbo Design as a subcontractor for a luxury hotel resort project in Macau to carry out project management and supervision of site workers to ensure the project was completed within 180 days from May 2013 for a subcontracting fee of HK\$500,000. The subcontracting arrangement was completed in end of 2013. Furthermore, in April 2013, Vanbo Engineering, our operating subsidiary, engaged Vanbo Design as a subcontractor for two piling projects in Hong Kong to carry out project management and supervision of site workers for an aggregate subcontracting fee of approximately HK\$876,000. The subcontracting arrangement was completed in mid-2013. Our Directors consider that the terms of the aforesaid subcontracting agreements between our Group and Vanbo Design were negotiated on an arm's length basis and on normal commercial terms, fair and reasonable, and the transactions under the subcontracting agreements between our Group and Vanbo Design were conducted in our Group's ordinary and usual course of business. Our Directors also confirm the terms of the above transactions were arrived at after taking into account our Group's available resources and the terms offered by Vanbo Design for its services. Our Directors therefore considered it was in the interests of our Group and the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Shareholders to enter into the subcontracting arrangement with Vanbo Design. Save for the above, our Directors confirm that our Group did not enter into any transaction with Vanbo Design during the Track Record Period. As Mr. Edmond Chan planned to focus on managing the business operations of our Group, he had ceased the business of Vanbo Design in September 2015. Such transactions had been completed as at the Latest Practicable Date. For further details, please refer to note 26 to the Accountants' Report set out in Appendix I to this prospectus. In view of the fact that (i) the aggregate amount of the transactions with Vanbo Design, which amounted to HK\$1,376,000 (or approximately 0.4% of our total costs of services for the year ended 31 March 2014), is considered insignificant; and (ii) there are abundant subcontractors providing project management service in the market, our Directors consider that the cessation of such arrangement with Vanbo Design will not have any impact on our business operation and financial position.

For the three years ended 31 March 2016 and the four months ended 31 July 2016, Vanbo Engineering recorded revenue of approximately HK\$1.6 million, HK\$19.5 million, HK\$12.1 million and HK\$2.3 million, respectively. For the same period, Vanbo Engineering recorded net profit/(loss) of approximately HK\$0.2 million, HK\$3.3 million, HK\$(36,000) and HK\$15,000, respectively.

Our Group has also established a set of internal control measures to facilitate the effective operations of its business. Our Group's customers, suppliers and subcontractors are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their respective close associates and have its independent access to customers, suppliers and subcontractors. Our Directors consider that our Group's operations do not depend on our Controlling Shareholders because (i) there is no competing business between our Group and any of our Controlling Shareholders; and (ii) our Group will not rely on any guarantee provided by any of our Controlling Shareholders in respect of bank borrowings nor have our Group given any guarantee for the benefit of any of our Controlling Shareholders after Listing.

On the basis of the above, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business (apart from our Group's business) which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and the Controlling Shareholders, each of Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite (each a “**Covenantor**” and collectively the “**Covenantors**”) has entered into the Deed of Non-competition with our Company (for ourselves and as trustee for and on behalf of our subsidiaries) on 24 October 2016. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for ourselves and as trustee for and on behalf of our subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure his/her/its close associates (other than any members of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if he/she/it or his/her/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/she/it shall (and he/she/it shall procure his/her/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within six months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Share Offer becoming unconditional and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/she/it together with his/her/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) 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).

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) the Covenantors will make an annual confirmation as to compliance with his/her/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iii) the Board is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, senior management and employees” in this prospectus;
- (iv) our Company has agreed to appoint Dakin Capital as the compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the section headed “Directors, senior management and employees – Compliance adviser” in this prospectus for details in relation to the appointment of compliance adviser;
- (v) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (vi) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after the Listing.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

OVERVIEW

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director 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 information regarding our Directors and our senior management:

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Responsibilities	Relationship with other Directors, senior management and employees
Mr. Chan Lap Wai Gary (陳立緯先生)	59	Executive Director and Chairman	November 1986	23 March 2016	Joint responsibility of formulation of overall business and development strategy and overall management and major business decisions of our Group	Son of Mr. Simon Chan, brother of Mr. Edmond Chan and Ms. Amanda Chan
Mr. Chan Lap Chuen Edmond (陳立銓先生)	57	Executive Director and Chief Executive Officer	November 1986	23 March 2016	Joint responsibility of formulation of overall business development strategy and execution of daily management and administration of our business and operations	Son of Mr. Simon Chan, brother of Mr. Gary Chan and Ms. Amanda Chan
Ms. Chan Chin Ying Amanda (陳千瑩女士)	56	Executive Director	November 1986	23 March 2016	Responsible for overall administration of our business, maintaining quality control and monitoring our safety and environmental compliance	Daughter of Mr. Simon Chan, sister of Mr. Gary Chan and Mr. Edmond Chan
Mr. Chan Sau Man Simon (陳秀民先生)	83	Non-executive Director and Honorary Chairman	November 1986	6 June 2016	Responsible for advising the executive Directors on the overall business operation, development and administration of our Group	Father of Mr. Gary Chan, Mr. Edmond Chan and Ms. Amanda Chan

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Responsibilities	Relationship with other Directors, senior management and employees
Mr. Li Hon Hung <i>MH, JP</i> (李漢雄先生)	59	Independent Non-executive Director	24 October 2016	24 October 2016	Performing the role as independent non-executive Director, chairman of the nomination committee and a member of the audit committee and the remuneration committee	N/A
Mr. Siu Miu Man (蕭妙文先生)	59	Independent Non-executive Director	24 October 2016	24 October 2016	Performing the role as independent non-executive Director, chairman of the remuneration committee and a member of the audit committee and the nomination committee	N/A
Mr. Cheng Chi Hung (鄭志洪先生)	56	Independent Non-executive Director	24 October 2016	24 October 2016	Performing the role as independent non-executive Director, chairman of the audit committee and a member of the remuneration committee and the nomination committee	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Senior Management

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Responsibilities	Relationship with other Directors, senior management and employees
Dr. Chan Wan To (陳運圖博士)	53	Technical Director	December 2004	December 2004	Responsible for management and technical direction of projects of our Group	N/A
Mr. Cheung Ka Ngai (張家毅先生)	52	Engineering Manager	December 1999	December 1999	Responsible for overseeing project design and implementation of our Group	N/A
Mr. Chen Tai Ping (陳大平先生)	57	Contracts Manager	November 1986	November 1995	Responsible for overall contract management and project planning of our Group	N/A
Mr. Yuen Kin Keung Larry (袁建強先生)	52	Project Manager	September 2015	September 2015	Responsible for overseeing project design and development and overall project performance of our Group	N/A
Mr. Lui Shun Wa Alexander (呂舜華先生)	53	Financial Controller	August 2015	August 2015	Responsible for overseeing the financial operations of our Group	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Executive Directors

Mr. CHAN Lap Wai Gary (陳立緯先生), aged 59, is our Chairman, executive Director and a director of Favourable Year, Rainbow Republic, Simon & Sons and Simon & Sons (Macau). He is also one of our Controlling Shareholders. Mr. Gary Chan has over 36 years of experience in the building and construction industry in Hong Kong and is primarily responsible for the formulation of the overall business development strategy and the overall management and major business decisions of our Group. Between September 1980 and October 1986, Mr. Gary Chan worked as an assistant manager in Simon Construction & Engineering Company, a sole proprietorship principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder, Honorary Chairman and non-executive Director. Mr. Gary Chan was responsible for general management of projects, formulating company policies and advising our managers and supervisors. Since November 1986, Mr. Gary Chan has been the executive director, and later re-designated as the managing director, of Simon & Sons, our principal operating subsidiary, and has been responsible for the overall business operations. Since April 2002, he has also been a director of Simon & Sons (Macau), one of our operating subsidiaries, and is responsible for overseeing the overall business development and operations in Macau.

Mr. Gary Chan graduated from University of Waterloo Canada with a Bachelor of Arts in Economics in May 1980. He obtained a certificate in Quantity Surveying from The Hong Kong Institute of Estimators and Site Agent in March 1987. He also completed a Professional Diploma in Project Management from The Hong Kong Management Association in January 2003.

Mr. Gary Chan is the son of Mr. Simon Chan, our non-executive Director and Honorary Chairman, and the brother of Mr. Edmond Chan, our executive Director and Chief Executive Officer, and Ms. Amanda Chan, our executive Director.

During the three years immediately preceding the Latest Practicable Date, Mr. Gary Chan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. CHAN Lap Chuen Edmond (陳立銓先生), aged 57, is our Chief Executive Officer, executive Director and a director of Favourable Year, Rainbow Republic, Simon & Sons and Vanbo Engineering. He is also one of our Controlling Shareholders. Mr. Edmond Chan has over 35 years of experience in the building and construction industry in Hong Kong. He is responsible for the formulation of the overall business development strategy and the execution of daily management and administration of our business and operations. Between November 1980 and October 1986, Mr. Edmond Chan worked as an assistant manager in Simon Construction & Engineering Company, a sole proprietorship in Hong Kong principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder, Honorary Chairman and non-executive Director. He was responsible for management of all projects and directing and supervising the operational management staff of our Group. Since November 1986,

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Edmond Chan has been a director of Simon & Sons, our principal operating subsidiary, and has been responsible for its day-to-day business operations. He had also assumed the roles of site manager between November 1986 and March 1995, general manager (site work) between April 1995 and March 2011 and executive director since 2011 in Simon & Sons. Since February 1993, Mr. Edmond Chan has also been a director of Vanbo Engineering, one of our operating subsidiaries, and is responsible for overseeing its business operations in piling projects and provision of loading test service in Hong Kong.

Mr. Edmond Chan graduated from University of Waterloo Canada with a Bachelor of Mathematics in October 1980. He was admitted as a member of the Society of Environmental Engineer in the United Kingdom in January 2011 and of the Society of Professional Engineers in London in February 2011. He was also admitted as a Chartered Building Engineer by the Chartered Association of Building Engineers in December 2015. Since July 2011, he has been a Charter Member and a director of Hong Kong Lions Club of Sham Shui Po and served as the president between 2013 and 2014. Since February 2015, he has also served as a director of Asia Pacific Creativity Industrial Association Limited.

Mr. Edmond Chan is the son of Mr. Simon Chan, our non-executive Director and Honorary Chairman, and the brother of Mr. Gary Chan, our executive Director and Chairman, and Ms. Amanda Chan, our executive Director.

During the three years immediately preceding the Latest Practicable Date, Mr. Edmond Chan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. CHAN Chin Ying Amanda (陳千瑩女士), aged 56, is our executive Director and a director of Favourable Year, Rainbow Republic and Simon & Sons. She is also one of our Controlling Shareholders. Ms. Amanda Chan has over 34 years of experience in the building and construction industry in Hong Kong. She is responsible for the overall administration, maintaining quality control and monitoring our safety and environmental compliance. Between March 1982 and October 1986, Ms. Amanda Chan worked as an assistant administration manager in Simon Construction & Engineering Company, a sole proprietorship principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder, honorary chairman and non-executive Director. She was responsible for the overall management of its financial and operation matters. Since November 1986, Ms. Amanda Chan has been a director of Simon & Sons, our principal operating subsidiary, and has been responsible for the overall administration and matters relating to human resources of the Simon & Sons. She also assumed the roles of administration manager between November 1986 and March 1998, quality manager between April 1998 and January 2008 and the Certified Quality and Environmental Manager since 2008 in Simon & Sons.

She also obtained a Diploma in Business Management from Society of Business Practitioners in the United Kingdom in June 2001. Ms. Amanda Chan has been a fellow member of The Hong Kong Institute of Certified Auditors since January 2008. She was admitted as a Certified Quality Manager in January 2008, a Certified Environmental Manager in January 2008 and a Certified Internal Auditor of Quality and Environmental in January 2008.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Amanda Chan is the daughter of Mr. Simon Chan, our non-executive Director and Honorary Chairman, and the sister of Mr. Gary Chan, our executive Director and Chairman, and Mr. Edmond Chan, our executive Director and Chief Executive Officer.

During the three years immediately preceding the Latest Practicable Date, Ms. Amanda Chan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Non-executive Director

Mr. CHAN Sau Man Simon (陳秀民先生), aged 83, is our founder, Honorary Chairman and non-executive Director. Mr. Simon Chan has over 46 years of experience in the building and construction industry in Hong Kong. In 1970, he established Simon Construction & Engineering Company, a sole proprietorship principally engaged in piling works as a registered contractor in Hong Kong. Since November 1986, he has been a director of Simon & Sons, our principal operating subsidiary, and was responsible for the formulation of overall business development strategy and the overall management of the company. Since the late 1990s, Mr. Simon Chan gradually retired and stepped down from his managerial role in our Group. He remains as a director of Simon & Sons but has assumed a non-executive role responsible for advising the other directors of Simon & Sons on its overall business operations, development and administration.

Mr. Simon Chan is the father of Mr. Gary Chan, our executive Director and Chairman, Mr. Edmond Chan, our executive Director and Chief Executive Officer, and Ms. Amanda Chan, our executive Director.

During the three years immediately preceding the Latest Practicable Date, Mr. Simon Chan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Independent Non-executive Directors

Mr. LI Hon Hung, *MH, JP* (李漢雄先生, *MH, JP*), aged 59, is our independent non-executive Director. Mr. Li has over 23 years of experience in the architectural field. Since July 1993, he has been a director of A. Li & Associates Architects Limited, a company principally engaged in design and architecture services. Since October 2011, he has also served as a non-executive director of Luk Fook Holdings (International) Limited, a company listed on the Stock Exchange (stock code: 590) and principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of jewellery.

Mr. Li obtained a Diploma of Architectural Design from Humber College, Canada in June 1981. He further obtained a Bachelor of Architecture from New York Institute of Technology in June 1984. Mr. Li was admitted as a Registered Authorised Person (List of Architects) and a Registered Inspector (List of Architects) in 1989 and 2012, respectively. He was admitted as a member, a corporate member and a fellow of The Hong Kong Institute of Architects in February 1991, August 2007 and September 2009, respectively. He is a registered architect under the register list maintained by Architect Registration Board. In August 2004, he obtained the PRC Class 1 Registered Architect Qualification.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Saved as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Li has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. SIU Miu Man (蕭妙文先生), aged 59, is our independent non-executive Director. Mr. Siu has over 14 years of managerial experience in real estate development and construction business. Mr. Siu's previous working experience includes:

Name of companies	Principal business activities	Position	Period of service
Pearl Oriental Cyberforce Ltd. (currently known as Loudong General Nice Resources (China) Holdings Limited), a company listed on the Stock Exchange (Stock Code: 988)	Coal processing, production of coke and coal-related chemical products and trading of minerals	Executive Director	July 1997 – April 2000
Hing Kong Holdings Ltd. (currently known as Gemdale Properties and Investment Corporation Limited), a company listed on the Stock Exchange (Stock code: 535)	Property investment, development and management of residential, commercial and business park projects	Deputy General Manager	May 2000 – July 2004
RK Properties Holdings Ltd., subsidiary of Road King Infrastructure Ltd., a company listed on the Stock Exchange (Stock code: 1098)	Investment holding	Executive Director	January 2005 – January 2006
Anex International Holdings Ltd. (currently known as Sustainable Forest Holdings Ltd.), a company listed on the Stock Exchange (Stock code: 723)	Sustainable forest management, investment and leasing in natural forests and manufacturing and sale of timber products	Chief Executive Officer	February 2006 – January 2008
Hsin Chong Property Development Ltd., subsidiary of Hsin Chong Construction Group Ltd., a company listed on the Stock Exchange (Stock code: 404)	Building construction and civil engineering	Managing Director	April 2012 – August 2013
DBG Holdings Limited	Developing and manufacturing of customer electronic products	Director	February 2013 – present

Mr. Siu obtained a Higher Diploma in Building Technology and Management and an Associateship in Building Technology and Management from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1980 and November 1983, respectively. He further obtained a Master of Science in Electronic Commerce from The Hong Kong Polytechnic University in November 2002. Mr. Siu has been an associate of Chartered Institute of Arbitrator since November 1984, a professional associate of Royal Institution of Chartered Surveyors since January 1985, an associate of Hong Kong Institute of Surveyors since March 1986 and a corporate member of Hong Kong Institution of Engineers since March 1989. He has also been an Authorised Person (List III) since June 2015, a Registered Professional Surveyor (General Practice Stream) since January 2002 and a Registered Professional Engineer (Building Stream) since May 2000 in Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Siu has been actively involved in community services and has served the following positions over the years:

Name of organisation	Position	Duration of service
The Solicitors Disciplinary Tribunal	Panel member	2008 – 2014
Fight Crime Committee of Kowloon City District	Member	2016 – present
Kowloon City District Council	Appointed Councilor	2012 – 2015
Development Bureau – Appeal Tribunal Panel (Building Ordinance)	Member	2015 – present
Urban Renewal Authority – Kowloon City District Consultation Committee	Member	2016 – present

Since 15 August 2016, Mr. Siu has been an independent non-executive director of Asia Energy Logistics Group Limited, a company listed on the Main Board (stock code: 351) and principally carries on the business of railway construction and operations and shipping and logistics. Since 7 October 2016, Mr. Siu has been an independent non-executive director of Value Convergence Holdings Limited, a company listed on the Main Board (stock code: 821) and principally carries on the business of brokerage, corporate finance and asset management services. Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Siu has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. CHENG Chi Hung (鄭志洪先生), aged 56, is our independent non-executive Director. Mr. Cheng has over 18 years of experience in auditing and accounting. His previous working experience includes the following:

Name of companies	Principal business activities	Position	Period of services
Horwath & Horwath	Accounting	Junior Audit Clerk	February 1986 – October 1987
Tony Nedderman & Co.	Accounting	Taxation Semi-senior	November 1987 – September 1988
Pollard Construction Co., Ltd.	Engineers and civil contractors	Accountant Accounting Manager	September 1990 – June 1992 January 1993 – April 1994
The Official Receiver's Office	Insolvency	Temporary Insolvency Officer II	December 1999 – November 2000
Patrick P.K. Chiang & Co.	Accounting	Audit Supervisor	September 2002 – February 2005
C.H. Cheng & Co.	Accounting	Auditor	July 2005 – present

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Cheng obtained a Master of Business Administration and a Postgraduate Certificate in Information Technology from The Open University of Hong Kong in December 1999 and December 2001, respectively. He also obtained a HKICPA Diploma in Insolvency from the Hong Kong Institute of Certified Public Accountants in June 2004. Mr. Cheng has been practising as a Certified Public Accountant and a Certified Tax Adviser in Hong Kong since February 2005 and June 2010, respectively. He was admitted as an associate member of the Hong Kong Society of Accountants (currently known as the Hong Kong Society of Accountants) and the Association of Chartered Certified Accountants in January 1996, a fellow member of the Association of Chartered Certified Accountants in January 2001, and an associate member of the Taxation Institute of Hong Kong in May 2010.

During the three years immediately preceding the Latest Practicable Date, Mr. Cheng has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Directors' interest

Save as disclosed in this section, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; and (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Dr. CHAN Wan To (陳運圖博士), aged 53, is the technical director of our Group and a director of Simon & Sons. He has over 15 years of experience in contract management and technical direction for different construction projects in Hong Kong. Dr. Chan joined our Group as technical director in December 2004 and is responsible for the management and technical direction of projects of our Group. Since 2001, Dr. Chan has acted as the managing director of W.T. Chan & Associates Limited, a company principally engaged in civil, structural and geotechnical engineering. Dr. Chan is responsible for overall management and business development of W.T. Chan & Associates Limited.

Dr. Chan obtained a Bachelor of Science (Engineering) and a Doctor of Philosophy in Soil Mechanics degree from King's College, University of London in August 1985 and November 1990, respectively. He has been a member of Hong Kong Institute of Engineer since June 2001 and a Registered Professional Engineer (Geotechnical) since September 2002.

During the three years immediately preceding the Latest Practicable Date, Dr. Chan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. CHEUNG Ka Ngai (張家毅先生), aged 52, is the engineering manager of our Group and a director of Simon & Sons. He has over 26 years of experience in construction project design and implementation in Hong Kong. Mr. Cheung joined our Group in December 1999 as an engineering manager of Simon & Sons and was later appointed as a director in February 2000. He is responsible for overseeing project design and implementation of our Group. Prior to joining our Group, from June 1989 to April 1992, Mr. Cheung worked as a design engineer at Intrusion-Prepakt (F.E.) Limited, where he was responsible for preparation of foundation drawings. From April 1992 to April 1993, he served as a project engineer at Chee Shing Foundations Limited, a company principally engaged in piling services. From May 1993 to January 1995, he worked at I-P Foundations Limited, as a design engineer responsible for the preparation of foundation drawings. He also worked as a project manager at W. Ho Civil Engineering & Construction Company Limited, a company principally engaged in civil engineering works, from January 1995 to June 1999 and was responsible for project supervision and management.

Mr. Cheung obtained a Bachelor of Engineering (Honours) in Civil Engineering from The Hong Kong Polytechnic University in December 1999. He has been an associate member of The Hong Kong Institution of Engineers since August 1999. He has also been a Building Environmental Assessment Method (BEAM) Affiliate of Hong Kong Green Building Council Limited since July 2014.

During the three years immediately preceding the Latest Practicable Date, Mr. Cheung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. CHEN Tai Ping (陳大平先生), aged 57, is the contracts manager of our Group and a director of Simon & Sons. He has over 30 years of experience in project management for different construction projects in Hong Kong. Mr. Chen first worked as the chief estimator at Simon & Sons between November 1986 and October 1995. He was further appointed as a director and contracts manager of Simon & Sons in February 2000 and November 1995, respectively and is responsible for overall contract management and project planning since then.

Between October 1985 and October 1986, Mr. Chen worked as an estimator at Simon Construction & Engineering Company, a sole proprietorship principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder, honorary chairman and non-executive Director, where he was responsible for contract administration and project management.

Mr. Chen obtained a higher certificate in Building Studies from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1987.

During the three years immediately preceding the Latest Practicable Date, Mr. Chen has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. YUEN Kin Keung Larry (袁建強先生), aged 52, is the project manager of our Group. He has over 22 years of experience in project design and development of different construction projects in Hong Kong. Mr. Yuen joined our Group in September 2015 and is responsible for overseeing project design and development and the overall project performance of our Group. Prior to joining our Group, Mr. Yuen worked as an assistant design engineer between September 1988 to December 1992 and as a design engineer between January 1993 to June 1993 at Gammon Construction Limited, a company principally engaged in construction business as a main contractor, responsible for foundations design. From June 1993 to May 1997, he worked as a structural engineer at David S.K. Au & Associates Ltd, a company principally engaged in the provision of industrial building development consultancy service, where he was responsible for structural design and project administration. He also worked at Chun Wo Foundations Limited, a company principally engaged in foundation works, as a quality control engineer from November 2001 to April 2009 as a senior engineer from May 2009 to September 2015.

Mr. Yuen obtained a High Diploma in Structural Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. He has been a member of The Institution of Structural Engineers in the United Kingdom since November 1995, a member of The Hong Kong Institution of Engineers since April 1996, a Chartered Engineer in the United Kingdom since May 1996, a Registered Professional Engineer (Structural) in Hong Kong since February 1999 and a Registered Structural Engineer in Hong Kong since October 1999.

During the three years immediately preceding the Latest Practicable Date, Mr. Yuen has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. LUI Shun Wa Alexander (呂舜華先生), aged 53, is the financial controller of our Group. He has over 11 years of accounting, taxation and corporate finance experience. Mr. Lui joined our Group in August 2015 and is responsible for overseeing the financial operations our Group.

Prior to joining our Group, Mr. Lui's working experience includes:

Name of organization	Principal business activities	Position	Roles and responsibilities	Period of service
KPMG Peat Marwick	Auditing	Accountant	Undertaking various auditing assignment	July 1986 – October 1987
Inland Revenue Department of Hong Kong Government	Government department providing tax administration	Assistant Assessor	Undertaking tax assessment and ancillary taxation matters	February 1989 – February 1990

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of organization	Principal business activities	Position	Roles and responsibilities	Period of service
Wang On Construction Engineering Limited (currently known as Wang On Group Limited, a company listed on the Stock Exchange (Stock code: 1222))	Property development, property investment, management and sub-licensing of Chinese wet markets and provision of finance	Finance Director	Overseeing financial operations of the group	March 1992 – July 1997
IFIA Pacific Holdings Limited (currently known as Beijing Enterprise Water Group Limited, a company listed on the Stock Exchange (Stock code: 371))	Construction of sewage and reclaimed works treatment and seawater desalination plants	Executive Director (CEO)	Responsible for strategic planning, policy making and business development of the group	September 1999 – April 2002

Mr. Lui obtained a Professional Diploma in Accountancy from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1986. Since February 1992, Mr. Lui has been an associate member of Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants). Mr. Lui is currently a non-practising member of Hong Kong Institute of Certified Public Accountants.

During the three years immediately preceding the Latest Practicable Date, Mr. Lui has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. LUI Shun Wa Alexander (呂舜華先生) is the company secretary of our Group. Details of his qualifications and experience are set out in the paragraph headed “Senior management” above in this section.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board of Directors delegates certain responsibilities to various committees. In accordance with our Articles of Association and the Listing Rules, we have formed three board committees, namely the audit committee, the nomination committee and the remuneration committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Audit Committee

Our Company established an audit committee in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our audit committee consists of Mr. Cheng Chi Hung, Mr. Li Hon Hung, *MH, JP* and Mr. Siu Miu Man. Mr. Cheng Chi Hung currently serves as the chairman of our audit committee.

The principal responsibilities of our audit committee include:

- reviewing our Company's annual financial statements;
- reviewing and monitoring the extent of the non-audit work undertaken by external auditors;
- advising on the appointment of external auditors; and
- reviewing the effectiveness of our Company's internal audit activities, internal controls and risk management systems.

Nomination Committee

Our Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code. Our nomination committee consists of Mr. Li Hon Hung, *MH, JP*, Mr. Siu Miu Man and Mr. Cheng Chi Hung. Mr. Li Hon Hung, *MH, JP* currently serves as the chairman of our nomination committee.

The principal responsibilities of our nomination committee include:

- assisting our Board in discharging its responsibilities relating to the composition of our Board;
- evaluating the balance of skills, knowledge and experience on our Board;
- evaluating the size, structure and composition of our Board; and
- evaluating the retirements and appointments of additional and replacement directors and making appropriate recommendations to our Board on such matters.

Remuneration Committee

Our Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our remuneration committee consists of Mr. Siu Miu Man, Mr. Li Hon Hung, *MH, JP* and Mr. Cheng Chi Hung. Mr. Siu Miu Man currently serves as the chairman of our remuneration committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The principal responsibilities of our remuneration committee include:

- making recommendations to our Board on our Company's policy on executive Director's remuneration;
- determining, the individual remuneration and benefits package of each of our executive Directors; and
- recommending and monitoring the remuneration of senior management below Board level.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Directors receive remuneration in the form of salaries and other benefits as well as contributions to retirement benefit scheme. The total compensation accrued to our Directors for the three years ended 31 March 2016 and the four months ended 31 July 2016 was approximately HK\$25.6 million, HK\$3.5 million, HK\$10.0 million and HK\$1.1 million, respectively.

The aggregate compensation (including Directors fees, salaries, contributions to retirement benefit scheme, allowances and other benefits) paid to our five highest paid individuals during the three years ended 31 March 2016 and the four months ended 31 July 2016 was approximately HK\$0.6 million, HK\$1.6 million, HK\$2.8 million and HK\$0.5 million, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for the year ending 31 March 2017 to be HK\$5.9 million.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for the three years ended 31 March 2016 and the four months ended 31 July 2016. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three financial years ended 31 March 2016 and the four months ended 31 July 2016 by us or any of our subsidiaries to our Directors.

Upon Listing, our remuneration committee, comprising three independent non-executive Directors, will be established and responsible for reviewing and determining the remuneration of our Directors and senior management with reference to salaries and bonus paid by comparable companies, time commitment, employment conditions and responsibilities of our Directors and senior management and performance of our Group.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarised in the paragraph headed "Statutory and general information – (D) Share Option Scheme" in Appendix IV to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The maximum number of Shares which may be issued, upon exercise of all options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by our Company or any of its subsidiaries or invested entity shall not in aggregate exceed 10% of the number of Shares in issue as of the date of Listing (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option); and the Board has been authorised to determine the grant of a right to subscribe for Shares under, and pursuant to the terms of the Share Option Scheme and to determine the grantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of, the Share Option Scheme.

COMPLIANCE ADVISER

We have agreed to appoint Dakin Capital to be our compliance adviser upon Listing on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance adviser's agreement with the compliance adviser prior to the Listing Date, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date of our Company and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of dispatch of the annual reports of our Company in respect of our results for the financial year ending 31 March 2018), or until the agreement is terminated, whichever is earlier;
- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- our Company will consult with and, if necessary, seek advice from Dakin Capital as our compliance adviser in the following circumstances:
 - (a) before the publication of any regulator announcement, circular or financial report;
 - (b) where a transaction which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (c) where our Company intends to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus; and
 - (d) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and
- the compliance adviser will serve as a channel of communication with the Stock Exchange.

STAFF

Please refer to the section headed "Business – Employees" in this prospectus for details relating to number of staff, staff benefits, training and recruitment policy of our Group.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, 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	Percentage of shareholding immediately after completion of the Share Offer
Creative Elite	Beneficial interest <i>(Note 1)</i>	495,000,000	75%
Mr. Gary Chan	Interest in controlled corporation	495,000,000	75%
Ms. Vane Siu Ling Linda <i>(Note 2)</i>	Interest of Spouse	495,000,000	75%

Notes:

- Creative Elite is owned as to 45%, 28%, 18% and 9% by Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, respectively. As Mr. Gary Chan beneficially owns 45% of the issued shares of Creative Elite, Mr. Gary Chan is deemed to be interested in 495,000,000 Shares held by Creative Elite pursuant to the SFO.
- Ms. Vane Siu Ling Linda is the spouse of Mr. Gary Chan. Therefore, Ms. Vane Siu Ling Linda is deemed to be interested in 495,000,000 Shares in which Mr. Gary Chan is interested for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), in view of the concert party arrangement among Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite, details of which are set out in the section headed “History and Development – Our corporate history – Concert party arrangement” in this prospectus, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, who will, through Creative Elite, control an aggregate of 495,000,000 Shares, representing 75% of the enlarged issued share capital of our Company. Hence, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite are a group of Controlling Shareholders within the meaning of the Listing Rules.

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 which may be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>2,000,000,000</u> Shares		<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>		<i>HK\$</i>
10,000 Shares in issue		100
544,990,000 Shares to be issued pursuant to the Capitalisation Issue		5,449,900
<u>115,000,000</u> Shares to be issued pursuant to the Share Offer		<u>1,150,000</u>
<u>660,000,000</u> Shares		<u>6,600,000</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 165,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 24 October 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 544,990,000 Shares credited as fully paid at par to Creative Elite (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,449,900 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.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer – The Public 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 number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding our Shares which may be issued upon exercise of the Over-allotment Option and 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 headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of 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 headed “Statutory and general information – (A) Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 24 October 2016” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer – The Public 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 number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding our Shares which may be issued upon exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and general information – (A) Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, please refer to the sections headed “Statutory and general information – (A) Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 24 October 2016” and “Statutory and general information – (A) Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and general information – (D) Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

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 the following discussion and analysis of our Group's financial position and results of operations together with our audited combined financial information as at 31 March 2014, 2015, 2016 and 31 July 2016 and for each of the years ended 31 March 2014, 2015, 2016 and for the four months ended 31 July 2016 and the accompanying notes included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with HKFRS. Prospective investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

We provide foundation services in Hong Kong and Macau, including piling construction (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services). We have over 46 years of experience in undertaking foundation works in Hong Kong since 1970.

Our Group provided foundation works and ancillary services through Simon & Sons Engineering. We undertook foundation works in both public sector and private sector, as either the main contractor or a subcontractor. During the Track Record Period and up to the Latest Practicable Date, we completed 24 foundation projects with a total contract sum of approximately HK\$1,126 million, which consisted of 19 Hong Kong-based projects and five Macau-based projects. As at the Latest Practicable Date, we had 18 projects on hand (including contracts in progress as well as contracts that awarded to us but not yet commenced) with a total awarded contract sum of approximately HK\$623.7 million, of which approximately HK\$138.5 million has been recognised for three years ended 31 March 2016 and approximately HK\$404.5 million is expected to be recognised as revenue for the year ending 31 March 2017.

During each of the years ended 31 March 2014, 2015 and 2016 ("**FY2014**", "**FY2015**" and "**FY2016**" respectively) and for the four months ended 31 July 2016, our Group recorded total revenue of approximately HK\$464.1 million, HK\$143.1 million, HK\$464.3 million and HK\$116.8 million, respectively. During the same period, the total comprehensive income of our Group was approximately HK\$43.8 million, HK\$10.9 million, HK\$39.9 million and HK\$13.2 million, respectively. Furthermore, during the Track Record Period, Simon & Sons Engineering was engaged in machinery leasing and the revenue recognised has been recorded in rental income from machinery under other revenue in the Accountant's Report.

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

FINANCIAL INFORMATION

BASIS OF PREPARATION OF FINANCIAL INFORMATION

The financial information of our Group has been prepared by our Directors based on the accounting policies which conform with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. The basis of presentation is set out in note 1 and note 2 in section II to the Accountant's Report set out in Appendix I to this prospectus.

FACTORS AFFECTING THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk factors" in this prospectus:

(i) Our construction projects are non-recurrent in nature

Our Group is principally engaged in the construction industry in Hong Kong and Macau focusing on the provision of foundation works. Our services are provided on a project-by-project and non-recurring basis, thus we do not have any long term agreements with our customers and the number of our customers may vary from year to year. As at the Latest Practicable Date, we had 18 projects on hand (including contracts in progress as well as contracts that awarded to us but not yet commenced). Upon completion of these on-going contracts, in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected. Therefore, our future growth and success depends on our ability to continue securing tenders and contract awards. If our customers do not provide us with new businesses after completion of current projects or if we are not able to seek for new customers, our future revenue and profit would be adversely affected.

(ii) Market conditions and trends in the construction industry and in the overall economy

We derived all of our revenue from foundation works in Hong Kong and Macau during the Track Record Period. The market demand for our services depends on the market conditions and trends in the construction industry and in the overall economy. The continued availability of large construction projects, and the nature, extent and timing of such projects will be determined by a variety of factors such as the land supply in Hong Kong and public housing policy, the government budgets, the investment of property developers and the general conditions and prospects of Hong Kong's economy. If the overall value and number of construction projects in Hong Kong decrease, the demand for our services may reduce and our operations and profitability may be adversely affected.

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(iii) Unexpected fluctuations in contract costs

The foundation projects undertaken by us are normally awarded by way of tender from our customers. We need to estimate the work time and costs in order to determine the quotation price. The main components of our estimated project costs are subcontracting charges, staff costs and construction material costs. We purchase construction materials from our suppliers, mainly H-piles and sheet piles. In addition, we also engage subcontractors to carry out the site works delegated by us. The costs of sales may deviate from our estimation. There may be fluctuations in the contract costs during the actual implementation of the project. In the event that the contract costs increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

Please refer to the paragraph headed “Principal Components of Results of Operations – Cost of services” below for information regarding the sensitivity analyses on main components of our project costs.

(iv) Timely settlement by our customers

We normally apply for progress payments each month, and subsequently receive progress payments from our customers. A progress payment is generally made monthly by reference to the value of works done in that month. A portion of the contract sum (which is generally subject to a maximum of 5% of the total contract sum) is usually withheld by our customers as retention money. As at 31 March 2014, 2015, 2016 and 31 July 2016, retention receivables of approximately HK\$31.1 million, HK\$21.3 million, HK\$40.8 million and HK\$29.0 million, respectively were retained by our customers.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group’s significant accounting policies, which are relevant for the discussion and analysis of our financial condition and results of operations as included in this prospectus, are set forth in details in note 3 to the Accountant’s Report set out in Appendix I to this prospectus. Critical accounting policies are those that are most important to the portrayal of our Group’s results of operations and financial position and require management to exercise its judgement in the process of applying our Group’s accounting policies. The assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our Group’s financial statements.

Significant accounting policies

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in note 2 to the Accountant’s Report set out in Appendix I to this prospectus.

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Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

- (i) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;
- (ii) interest income from bank deposits and fixed interest rate bond investment is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset;
- (iii) interest income from investment in a life insurance policy is recognised when it is probable that the interest income will be received by our Group and the amount of interest income can be measured reliably; and
- (iv) rental income receivable from operating lease is recognised on a straight-line basis over the lease term.

Construction contracts

Our contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured. Our contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise site labour costs (including site supervision), costs of subcontracting, costs of materials used in construction, depreciation of equipment used on the contract, costs of design, and technical assistance that is directly related to our construction contract.

When the outcome of our construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the reporting periods. 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 costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded as an amount due to contract customers when progress billings exceed contract costs incurred to date plus recognised profits less recognised losses. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is recorded as an amount due from contract customers.

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For other critical accounting policies and estimates, which was applied in the preparation of our Group's combined financial statements, in relation to the property, plant and equipment, leasing and impairment of non-financial assets, please refer to note 2.2, note 2.4 and note 2.11 to the Accountant's Report set out in Appendix I to this prospectus.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out in note 3 to the Accountant's Report contained in Appendix I to this prospectus.

SUMMARY OF RESULTS OF OPERATIONS

The following combined statement of comprehensive income of our Group for the Track Record Period is extracted from, and should be read in conjunction with, the audited combined statements of comprehensive income, together with the accompanying notes, in the Accountant's Report set forth in Appendix I to this prospectus.

	Year ended 31 March			Four months ended 31 July	
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
				<i>(unaudited)</i>	
Revenue	464,099	143,082	464,303	121,447	116,789
Cost of services	<u>(387,049)</u>	<u>(121,223)</u>	<u>(390,666)</u>	<u>(102,918)</u>	<u>(94,928)</u>
Gross Profit	77,050	21,859	73,637	18,529	21,861
Other income	7,291	8,791	3,062	1,907	5,033
Other gains and losses	374	677	(208)	(454)	(222)
Share of profit/(loss) of a joint venture	864	704	(975)	(969)	(3)
Administrative expenses	<u>(33,163)</u>	<u>(16,925)</u>	<u>(25,147)</u>	<u>(5,515)</u>	<u>(10,146)</u>
Operating profit	52,416	15,106	50,369	13,498	16,523
Finance costs	<u>(2,358)</u>	<u>(1,178)</u>	<u>(823)</u>	<u>(211)</u>	<u>(347)</u>
Profit before income tax expense	50,058	13,928	49,546	13,287	16,176
Income tax expense	<u>(6,325)</u>	<u>(2,746)</u>	<u>(9,595)</u>	<u>(2,649)</u>	<u>(3,245)</u>
Profit for the year/period	43,733	11,182	39,951	10,638	12,931
Other comprehensive income for the year/period, net of tax	<u>17</u>	<u>(247)</u>	<u>(3)</u>	<u>(257)</u>	<u>236</u>
Total comprehensive income for the year/period	<u><u>43,750</u></u>	<u><u>10,935</u></u>	<u><u>39,948</u></u>	<u><u>10,381</u></u>	<u><u>13,167</u></u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

During the Track Record Period, our Group recorded revenue of approximately HK\$464.1 million, HK\$143.1 million, HK\$464.3 million and HK\$116.8 million, respectively; and for the same periods, our Group recorded a total comprehensive income of approximately HK\$43.8 million, HK\$10.9 million, HK\$39.9 million and HK\$13.2 million, respectively.

REVENUE

During the Track Record Period, we derived our revenue from the provision of foundation works to our customers in Hong Kong and Macau. The following table sets forth our revenue generated from Hong Kong and Macau projects during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Hong Kong	147,391	31.8	120,022	83.9	463,347	99.8	120,491	99.2	116,789	100
Macau	316,708	68.2	23,060	16.1	956	0.2	956	0.8	-	-
	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>121,447</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

Our Group engaged in construction projects from both public and private sectors. Our customers in private sector mainly includes property developers, construction companies and charitable organisations while our customers in public sector mainly include different departments of the Government (including the Architectural Services Department, Highways Department and Housing Authority) and a railway operator in Hong Kong. The following table sets forth our revenue generated from private and public sector projects during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Private sector projects	412,538	88.9	95,524	66.8	288,810	62.2	106,730	87.9	56,512	48.4
Public sector projects	51,561	11.1	47,558	33.2	175,493	37.8	14,717	12.1	60,277	51.6
	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>121,447</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

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During the Track Record Period, we carried out foundation works either as a main contractor or a subcontractor, depending on our customers' requirements, project nature, our assessment on profitability, project pipeline and availability of internal sources. For loading test contracts, all the contracts are awarded to us as subcontractor. The following table sets forth our Group's turnover by our role as main contractor or subcontractor during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Main contractor	78,082	16.8	34,601	24.2	281,438	60.6	102,118	84.1	55,570	47.6
Subcontractor	386,017	83.2	108,481	75.8	182,865	39.4	19,329	15.9	61,219	52.4
	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>121,447</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

For the three years ended 31 March 2016 and the four months ended 31 July 2016, there were 16, 30, 17 and 12 contracts contributing approximately HK\$464.1 million, HK\$143.1 million, HK\$464.3 million and HK\$116.8 million, respectively to our revenue. Set out below is the breakdown of such contracts based on their respective revenue recognised during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	Number of projects	Number of projects	Number of projects	Number of projects	Number of projects
Revenue recognised					
HK\$100,000,000 or above	1	–	2	–	–
HK\$50,000,000 to below HK\$100,000,000	2	–	1	1	–
HK\$10,000,000 to below HK\$50,000,000	4	4	3	1	3
HK\$1,000,000 to below HK\$10,000,000	4	13	4	5	6
Below HK\$1,000,000	<u>5</u>	<u>13</u>	<u>7</u>	<u>4</u>	<u>3</u>
	<u>16</u>	<u>30</u>	<u>17</u>	<u>11</u>	<u>12</u>

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The following table sets out our revenue derived from all construction projects at different completion stages during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue derived from projects brought forward	163,855	35.3	58,219	40.7	222,546	47.9	88,577	72.9	94,823	81.2
Revenue from new projects commenced	<u>300,244</u>	<u>64.7</u>	<u>84,863</u>	<u>59.3</u>	<u>241,757</u>	<u>52.1</u>	<u>32,870</u>	<u>27.1</u>	<u>21,966</u>	<u>18.8</u>
Total	<u>464,099</u>	<u>100.0</u>	<u>143,082</u>	<u>100.0</u>	<u>464,303</u>	<u>100.0</u>	<u>121,447</u>	<u>100.0</u>	<u>116,789</u>	<u>100.0</u>

During the Track Record Period, our Group's revenue generated from projects brought forward in respective years accounted for approximately HK\$163.9 million, HK\$58.2 million, and HK\$222.5 million, and HK\$94.8 million, respectively; and during the same period, our Group's revenue generated from new projects commenced in the respective years accounted for approximately HK\$300.2 million, HK\$84.9 million, HK\$241.8 million, and HK\$22.0 million, respectively. The following table sets forth the list of foundation projects completed by our Group in Hong Kong during the Track Record Period:

Project Number	Sector (Note 1)	Our role	For the year ended 31 March			For the four months ended 31 July		Total revenue recognised during the Track Record Period HK\$'000 (a)+(b)+(c)+(d)
			2014	2015	2016	2015	2016	
			HK\$'000 (a)	HK\$'000 (b)	HK\$'000 (c)	HK\$'000 (unaudited)	HK\$'000 (d)	
Project 1	Private	Main contractor	4,810	-	-	-	-	4,810
Project 2	Private	Main contractor	17,700	5,008	-	-	-	22,708
Project 3	Private	Main contractor	10,002	-	-	-	-	10,002
Project 4	Private	Subcontractor	1,379	-	-	-	-	1,379
Project 6	Private	Main contractor	14,066	-	-	-	-	14,066
Project 7	Private	Main contractor	31,503	6,567	-	-	-	38,070
Project 10	Private	Subcontractor	8,652	25,301	-	-	-	33,953
Project 11	Public	Subcontractor	51,370	1,646	-	-	-	53,016
Project 12	Private	Subcontractor	6,123	4,463	-	-	-	10,586
Project 14	Private	Subcontractor	-	4,557	-	-	-	4,557
Project 15	Public	Subcontractor	-	27,143	2,715	-	-	29,858
Project 18	Private	Main contractor	-	23,026	187,480	80,474	40,665	251,171
Project 20	Public	Subcontractor	-	-	17,558	5,321	-	17,558
Project 21	Public	Subcontractor	-	-	25,916	5,159	-	25,916
Project 22	Private	Main contractor	-	-	93,959	21,644	1,996	95,955
Project V17	Private	Subcontractor	-	7,212	6,044	4,272	-	13,256
Others (Note 2)			<u>1,494</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,573</u>
Sub-total			<u>147,099</u>	<u>105,002</u>	<u>333,672</u>	<u>116,870</u>	<u>42,661</u>	<u>628,434</u>

Notes:

- Public sector projects mainly consist of different departments of the Government. Private sector projects mainly consist of property developers, construction companies and charitable organisation.
- Others represents three foundation projects with an average contract sum of less than HK\$1 million.

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The following table sets forth the list of foundation projects completed by our Group in Macau during the Track Record Period:

Project Number	Sector (Note 1)	Our role	For the year ended 31 March			For the four months ended 31 July		Total revenue recognised during the Track Record Period
			2014	2015	2016	2015	2016	Period
			HK\$'000 (a)	HK\$'000 (b)	HK\$'000 (c)	HK\$'000 (unaudited)	HK\$'000 (d)	HK\$'000 (a)+(b)+(c)+(d)
Project M1	Private	Subcontractor	84,395	-	-	-	-	84,395
Project M2	Private	Subcontractor	232,313	15,155	-	-	-	247,468
Project M3	Private	Subcontractor	-	2,845	-	-	-	2,845
Project M5	Private	Subcontractor	-	3,270	-	-	-	3,270
Project M6	Private	Subcontractor	-	170	-	-	-	170
Sub-total			<u>316,708</u>	<u>21,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338,148</u>

Note:

- Public sector projects mainly consist of different departments of the Government and a railway operator. Private sector projects mainly consist of property developers, construction companies and charitable organisation.

As at the Latest Practicable Date, we had a total of 18 foundation projects on hand (including contracts in progress as well as contracts that awarded to us but not yet commenced). The following table sets forth the list of projects on hand and in progress as at the Latest Practicable Date:

Project Number	Sector (Note 1)	Our role	For the year ended 31 March			For the four months ended 31 July		Total revenue recognised during the Track Record Period
			2014	2015	2016	2015	2016	Period
			HK\$'000 (a)	HK\$'000 (b)	HK\$'000 (c)	HK\$'000 (unaudited)	HK\$'000 (d)	HK\$'000 (a)+(b)+(c)+(d)
Project 17	Public	Subcontractor	-	1,759	4,349	1,143	2,727	8,835
Project 19	Public	Subcontractor	-	1,082	16,148	1,493	3,592	20,822
Project V5	Public	Subcontractor	-	7,867	4,173	-	2,302	14,342
Project 23	Public	Subcontractor	-	-	102,849	-	42,598	145,447
Project 24	Private	Subcontractor	-	-	298	-	942	1,240
Project 25	Public	Subcontractor	-	-	-	-	7,755	7,755
Project 26	Private	Main contractor	-	-	-	-	11,824	11,824
Project 27	Private	Main contractor	-	-	-	-	1,085	1,085
Project 29	Public	Subcontractor	-	-	-	-	339	339
Project 31	Public	Subcontractor	-	-	-	-	964	964
Sub-total			<u>-</u>	<u>10,708</u>	<u>127,817</u>	<u>2,636</u>	<u>74,128</u>	<u>212,653</u>

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Note:

- Public sector projects mainly consist of different departments of the Government and a railway operator. Private sector projects mainly consist of property developers, construction companies, charitable organisation.

In addition to our aforesaid completed foundation projects, we also completed 18 loading test contracts which generated revenue of approximately HK\$0.3 million, HK\$5.9 million, HK\$2.8 million and nil, respectively, during the Track Record Period.

Further details of the aforesaid projects are set out in the section headed “Business – Our business model and our projects – Our projects” in this prospectus. Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of the change in the amount of our revenue during the Track Record Period.

COST OF SERVICES

Cost of services include subcontracting charges, construction material costs, staff costs, depreciation, and other direct costs. The following table sets forth a breakdown of our cost of services during the Track Record Period:

Cost of services	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting charges	149,064	38.5	66,295	54.7	165,143	42.3	24,974	24.3	46,369	48.8
Construction material costs	161,340	41.7	15,112	12.5	116,361	29.8	60,550	58.8	15,595	16.5
H-piles and sheet piles	150,978	39.0	13,772	11.4	106,210	27.2	58,120	56.5	13,156	13.9
Other materials	10,362	2.7	1,340	1.1	10,151	2.6	2,430	2.3	2,439	2.6
Staff costs	25,030	6.4	16,613	13.7	56,977	14.5	6,281	6.1	19,543	20.7
Directors' remunerations	10,742	2.8	1,469	1.2	3,734	1.0	349	0.3	349	0.4
Depreciation	12,982	3.4	12,590	10.4	13,146	3.4	3,667	3.6	4,318	4.5
Other direct costs	27,891	7.2	9,144	7.5	35,305	9.0	7,097	6.9	8,754	9.1
Total	387,049	100.0	121,223	100.0	390,666	100.0	102,918	100.0	94,928	100.0

Our most significant costs of services are subcontracting charges, construction material costs, and staff costs. During the Track Record Period, the subcontracting charges accounted for approximately 38.5%, 54.7%, 42.3% and 48.8% of our total cost of services, respectively; and during the same period, the construction material costs, which mainly represent costs of H-piles and sheet piles, accounted for approximately 41.7%, 12.5%, 29.8% and 16.5% of our total costs of services, respectively. The proportion of subcontracting charges and construction material costs in cost of services depends on, among other factors, the nature, design, and requirements of our projects which vary from project to project. Our Group engages subcontractors for parts of the works or a specific process of the works of our contract, such as piling works, drilling works and site formation works. Construction materials costs mainly represent direct costs for the purchase of H-piles, sheet piles and other construction materials that are directly attributed to foundation works. Staff costs represent the salaries and other benefits provided for our workers.

Other direct costs include, but not limited to; (i) rental charges; and (ii) others such as site overhead hiring expenditure of construction machineries, testing expenses for materials.

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During the Track Record Period, the aggregate amount of subcontracting charges, construction material costs, and staff costs accounted for approximately 86.6%, 80.9%, 86.6% and 86.0% of our total cost of services, respectively. Our Directors believe that fluctuations in subcontracting charges, construction material costs, and staff costs and our ability to include appropriate cost estimates in tendering process or preparation of quotations and to pass on any cost escalations to our customers will affect our profitability.

The following sensitivity analyses illustrate the impact of hypothetical fluctuations in subcontracting charges, staff costs and the price of H-piles on our profit before tax during the Track Record Period, assuming all other variables remained constant. According to the Ipsos Report, subcontracting charges, staff costs, and the price of H-piles recorded a CAGR during the period between 2011 and 2015 of approximately 3.3%, 9.7% and (9.1)%. For prudence sake, our Group adopted a hypothetical fluctuation of 3% and 10% in performing the sensitivity analysis below:

Sensitivity analysis on our subcontracting charges

Hypothetical fluctuation				
<i>(% change in subcontracting fee)</i>	-10%	-3%	+3%	+10%
Change in profit before tax (HK\$'000)				
For the year ended 31 March 2014	14,906	4,472	(4,472)	(14,906)
For the year ended 31 March 2015	6,630	1,989	(1,989)	(6,630)
For the year ended 31 March 2016	16,514	4,954	(4,954)	(16,514)
For the four months ended 31 July 2015	2,497	749	(749)	(2,497)
For the four months ended 31 July 2016	4,637	1,391	(1,391)	(4,637)

Sensitivity analysis on our staff costs

Hypothetical fluctuation				
<i>(% change in staff costs)</i>	-10%	-3%	+3%	+10%
Change in profit before tax (HK\$'000)				
For the year ended 31 March 2014	2,503	751	(751)	(2,503)
For the year ended 31 March 2015	1,661	498	(498)	(1,661)
For the year ended 31 March 2016	5,698	1,709	(1,709)	(5,698)
For the four months ended 31 July 2015	628	188	(188)	(628)
For the four months ended 31 July 2016	1,954	586	(586)	(1,954)

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Sensitivity analysis on the price of H-piles

Hypothetical fluctuation

<i>(% change in price of H-piles)</i>	-10%	-3%	+3%	+10%
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Change in profit before tax (HK\$'000)

For the year ended 31 March 2014	15,098	4,529	(4,529)	(15,098)
For the year ended 31 March 2015	1,377	413	(413)	(1,377)
For the year ended 31 March 2016	10,621	3,186	(3,186)	(10,621)
For the four months ended 31 July 2015	5,812	1,744	(1,744)	(5,812)
For the four months ended 31 July 2016	1,316	395	(395)	(1,316)

Note: The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the costs of subcontracting charges, staff costs and the price of H-piles respectively and does not reflect changes in our revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth a breakdown of our gross profit and gross profit margin in providing foundation works and ancillary services during the Track Record Period:

	For the year ended 31 March				For the four months ended 31 July					
	2014	2015		2016	2015		2016			
	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %		
Foundation works and ancillary services	<u>77,050</u>	16.6	<u>21,859</u>	15.3	<u>73,637</u>	15.9	<u>18,529</u>	15.3	<u>21,861</u>	18.7

The following table sets forth breakdown of our gross profit and gross profit margin by our role as main contractor and subcontractor during the Track Record Period:

	For the year ended 31 March				For the four months ended 31 July					
	2014	2015		2016	2015		2016			
	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %		
Main contractor	5,476	7.0	5,558	16.1	40,380	14.4	16,824	16.5	7,590	13.7
Subcontractor	<u>71,574</u>	18.5	<u>16,301</u>	15.0	<u>33,257</u>	18.2	<u>1,705</u>	8.8	<u>14,271</u>	23.3
Total	<u>77,050</u>	16.6	<u>21,859</u>	15.3	<u>73,637</u>	15.9	<u>18,529</u>	15.3	<u>21,861</u>	18.7

(unaudited)

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During the Track Record Period, our gross profit margin contributed from foundation works in which we were engaged as main contractor was approximately 7.0%, 16.1%, 14.4% and 13.7%, respectively, which was lower than the Group's overall gross profit margin except for the year ended 31 March 2015.

During the year ended 31 March 2015, our gross profit margin contributed from foundation works in which we were engaged as main contractor was slightly higher than that engaged as subcontractor was mainly attributable to our Project 18, which accounted for approximately 23.3% of our total gross profit for the year ended 31 March 2015, which had relatively high gross profit margin of approximately 22.1% for the year ended 31 March 2015.

During the Track Record Period, there was no differences in the liquidity and working capital requirement between foundation works in which we were engaged as main contractor and foundation works in which we were engaged as subcontractor, except for the requirement for main contractor to pay the levy of 0.53% on the cumulative net assessable value of construction operation in accordance with the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong), the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) and the gazette dated 26 November 2004 in relation to Construction Workers Registration (Levy) Notice and the levy of 0.15% on the cumulative net assessable value of construction operation in accordance with the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong).

The following table sets forth breakdown of our gross profit and gross profit margin by customer segments during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	67,687	16.4	18,326	19.2	40,540	14.0	16,484	15.4	7,770	13.7
Public sector	<u>9,363</u>	18.2	<u>3,533</u>	7.4	<u>33,097</u>	18.9	<u>2,045</u>	13.9	<u>14,091</u>	23.4
Total	<u><u>77,050</u></u>	16.6	<u><u>21,859</u></u>	15.3	<u><u>73,637</u></u>	15.9	<u><u>18,529</u></u>	15.3	<u><u>21,861</u></u>	18.7

(unaudited)

During the Track Record Period, our gross profit margin contributed by contracts from public sector customers was approximately 18.2%, 7.4%, 18.9% and 23.4%, respectively, which is higher than that from private sector customers, except for the year ended 31 March 2015. During the year ended 31 March 2015, our gross profit margin derived from private sector customers was approximately 19.2% which was higher than that from public sector of approximately 7.4%. It is mainly due to our Project 18 as discussed above.

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OTHER INCOME

During the Track Record Period, our other income primarily consisted of (i) interest income; (ii) distribution from managed funds investment; (iii) machinery rental income; (iv) sales of scrap materials income; and (v) sundry income. The following table sets forth a breakdown of other income of our Group during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Interest income on					
– Amount due from a director	7	–	–	–	–
– Bank deposits	39	117	126	18	2
– Investment in a life insurance investment	–	90	95	36	26
– Fixed interest rate bond investment	123	61	–	–	–
Imputed interest on retention receivables	136	1,178	202	90	939
Distribution from managed funds at fair value through profit or loss	78	78	39	39	–
Machinery rental income	6,373	7,101	2,505	1,660	167
Sale of scrap materials	254	–	–	–	3,890
Sundry income	<u>281</u>	<u>166</u>	<u>95</u>	<u>64</u>	<u>9</u>
 Total	 <u>7,291</u>	 <u>8,791</u>	 <u>3,062</u>	 <u>1,907</u>	 <u>5,033</u>

Our other income during the Track Record Period mainly comprised:

- (a) interest income generated from amounts due from our director, Ms. Amanda Chan, our bank deposits, our directors' life insurance investments, our bond investments, and our retention receivables;
- (b) dividend income generated from our fund investments;
- (c) rental income generated from lease of machinery when we consider the machinery was not required for any projects we were undertaking during the relevant period and such arrangement would not affect our operations;
- (d) income generated from the sales of scrap materials; and
- (e) sundry incomes, which mainly include installation of monitoring well works, water meter installation fee, and insurance repayment for motor vehicle damage repair and rental income from loading test materials.

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OTHER GAINS AND LOSSES

Our other gains and losses during the Track Record Period mainly comprised of (i) foreign exchange loss; (ii) gain on disposal of property, plant and equipment; (iii) gain or loss on disposal of managed funds; and (iv) fair value gain or loss on managed funds. The following table sets forth a breakdown of our other gains and losses of our Group during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Foreign exchange loss	(440)	(459)	(285)	(454)	(213)
Gain on disposal of property, plant and equipment	1,202	2	105	–	(9)
Gain/(loss) on disposal of managed funds at fair value through profit or loss	–	1,012	(28)	–	–
Fair value gain/(loss) on managed funds at fair value through profit or loss	<u>(388)</u>	<u>122</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u>374</u>	<u>677</u>	<u>(208)</u>	<u>(454)</u>	<u>(222)</u>

SHARE OF PROFIT/(LOSS) OF A JOINT VENTURE

Our Group formed a limited liability joint venture, Giga-tech, which has ceased business on 15 May 2015, with an independent third party for the purpose of leasing machine for rental income. Our Group held 50% of the total share of Giga-tech. During the Track Record Period, our Group and the independent third party jointly control over the relevant activities of Giga-tech. All profit made or loss incurred by Giga-tech shall be shared between our Group and the independent third party on a 50:50 basis. The following table sets forth the share of profit or loss of Giga-tech during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Share of profit/(loss) of Giga-tech	<u>864</u>	<u>704</u>	<u>(975)</u>	<u>(969)</u>	<u>(3)</u>

For the summarised financial information in relation to Giga-tech, please refer to note 30 in to the Accountant's Report set out in Appendix I to this prospectus.

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ADMINISTRATIVE EXPENSES

Our administrative expenses mainly include staff costs, Directors' remuneration and benefits, operating lease rental on premises, legal and professional fees, entertainment expenses, motor vehicle and other administrative expenses. The following table sets out a breakdown of our administrative expenses for the years indicated:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Staff costs	5,190	3,773	5,098	618	1,278
Consultant fee	2,363	1,113	455	332	58
Depreciation	3,436	3,238	2,541	1,086	531
Directors' remuneration	14,815	2,024	6,259	727	727
Rent and rate	2,134	2,360	2,390	928	906
Motor vehicle expenses	1,444	1,462	1,553	521	636
Insurance expenses	275	271	322	301	334
Audit fee	72	89	117	40	230
Legal and professional fee	109	2	61	–	373
Listing expenses	–	–	4,351	–	4,611
Other administrative expenses	<u>3,325</u>	<u>2,593</u>	<u>2,000</u>	<u>962</u>	<u>462</u>
 Total	 <u>33,163</u>	 <u>16,925</u>	 <u>25,147</u>	 <u>5,515</u>	 <u>10,146</u>

Our administrative expenses mainly include:

- (i) staff costs, which are salaries and other benefits for our office staff and contribution to mandatory provident funds;
- (ii) consultant fee, which is related to surveillance visit for certification assessment and technical consultancy services;
- (iii) depreciation, which is related to furniture and equipment, and motor vehicles;
- (iv) directors' remuneration, which is directors' emolument and bonus;
- (v) rent and rates, which are operating lease rental and rates charged on premises for office rented by our Group;
- (vi) motor vehicle expenses, which are mainly represent motor vehicles repair and maintenance costs, and fuel costs;

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- (vii) insurance expenses, which are costs incurred for maintaining basic insurance for our Group's employees who work at our office and motor vehicles;
- (viii) legal and professional fee, which are costs incurred mainly for accountancy service, trademark registration and preparation of tenancy agreement;
- (ix) Listing expenses, which are expenses mainly relating to appointment of professional parties in the preparation of the Listing; and
- (x) other administrative expenses include office expenses, printing and stationery, hiring expenditure for office equipment.

Directors' Remuneration

The following table sets forth our Directors' remuneration recognised as cost of services and administrative expenses which reconciled to the amount of our Directors' remuneration sets out to note 9 to the Accountant's Report set out in Appendix I to this prospectus:

	For the year ended 31 March			For the four months ended 31 July	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
				<i>(unaudited)</i>	
Directors' remuneration recognised as					
– Cost of services	10,742	1,469	3,734	349	349
– Administrative expenses	<u>14,815</u>	<u>2,024</u>	<u>6,259</u>	<u>727</u>	<u>727</u>
	<u>25,557</u>	<u>3,493</u>	<u>9,993</u>	<u>1,076</u>	<u>1,076</u>
Directors' remuneration in the Accountant's Report	<u>25,557</u>	<u>3,493</u>	<u>9,993</u>	<u>1,076</u>	<u>1,076</u>

During the Track Record Period, we recorded Directors' remuneration of approximately HK\$25.6 million, HK\$3.5 million, HK\$10.0 million and HK\$1.1 million, respectively. During the year ended 31 March 2015, our Directors' remuneration decreased significantly by approximately HK\$22.1 million or approximately 86.3% from approximately HK\$25.6 million in FY2014 to approximately HK\$3.5 million in FY2015. Such significant decrease in our Directors' remuneration was mainly due to our revenue decreased significantly by approximately HK\$321.0 million (or approximately 69.2%). Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for details on the reason of significant decrease in our revenue.

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During the year ended 31 March 2016, our Directors' remuneration increased by approximately HK\$6.5 million or approximately 186.1% from approximately HK\$3.5 million in FY2015 to approximately HK\$10.0 million in FY2016. Such increase was primarily attributable to the increase in our revenue by approximately HK\$321.2 million (or 224.5%), please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for details on the reason of increase in our revenue.

The basis of our Director emoluments and bonuses adopted by our Group during the Track Record Period were with reference to the salaries and bonus level paid by comparable companies to their directors during the relevant period, time commitment, the contribution and responsibilities of our Directors and performance and projected funding needs of our Group. For the year ended 31 March 2014, the total remuneration paid to Mr. Simon Chan was approximately HK\$6.2 million, of which HK\$5.3 million was the special bonus paid to Mr. Simon Chan and the remaining amount represented salaries and double pay. For the three years ended 31 March 2016 and the four months ended 31 July 2016, the amount of special bonus paid to Mr. Simon Chan was HK\$5.3 million, nil, nil and nil, respectively, whereas the amount of salaries and double pay paid to Mr. Simon Chan remained the same throughout the Track Record Period. It is expected that the salary and double pay for Mr. Simon Chan for the year ending 31 March 2017 will remain unchanged. The circumstances leading to the payment of the special bonus to Mr. Simon Chan are set out below:

- Since the late 1990s, Mr. Simon Chan, the founder of the Group, gradually retired and stepped down from his managerial role in Simon & Sons. Since then, Mr. Simon Chan assumed a non-executive role but remained a controlling shareholder of Simon & Sons.
- In February 2013, as a family succession arrangement, Mr. Simon Chan agreed to vest his entire beneficial interest to Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan pursuant to the Entrustment Arrangement as disclosed in the section headed "History and development" in this prospectus.
- It was under such circumstance that the Board considered it was desirable to pay a special bonus in the amount of HK\$5.3 million to Mr. Simon Chan in recognition of his leadership and indispensable contributions to the development of our Group for the past 43 years.

There was no change in the role of Mr. Simon Chan in the management of our Group throughout the Track Record Period. Mr. Simon Chan assumed a non-executive role responsible for advising other Directors on our Group's business operations, development and administration throughout the Track Record Period and up to the Latest Practicable Date.

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In order to strengthen our corporate governance in relation to Directors' remuneration, our Directors confirm that upon Listing, our Group's remuneration committee, comprising three independent non-executive Directors only, will be established and responsible for reviewing and determining the remuneration of our Directors and senior management with reference to salaries and bonus paid by comparable companies, time commitment, employment conditions and responsibilities of our Directors and senior management and performance of our Group. Independent professional advice will be sought, where appropriate, to ensure the competitiveness, appropriateness and reasonableness of our Directors' remuneration. Our remuneration committee shall review our remuneration policy regularly to provide a fair and reasonable remuneration in the form and substance that motivate our Directors' performance and at the same time align with our Shareholder's interests. Our Directors confirm that no Director shall be involved in deciding his or her own remuneration and any unusual and exceptional fluctuation in discretionary benefits or bonus or other fringe benefits payable to our Directors shall be avoided.

FINANCE COSTS

Finance costs represent interest expenses on finance leases, bank overdrafts, short-term loan from a related company, bank loans, and retention payables.

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Interest on:					
– Finance leases	1,274	822	432	142	66
– Bank overdrafts	106	9	4	3	1
– Short-term loan from a related company	65	–	–	–	–
– Bank loans	888	21	321	39	40
Imputed interest expense on retention payables	<u>25</u>	<u>326</u>	<u>66</u>	<u>27</u>	<u>240</u>
 Total	 <u><u>2,358</u></u>	 <u><u>1,178</u></u>	 <u><u>823</u></u>	 <u><u>211</u></u>	 <u><u>347</u></u>

During the Track Record Period, our Group purchased certain of machineries and motor vehicles under finance leasing arrangement with financial institutions with lease terms of three years. Interest on our finance leases ranged from 3.6% to 5.3% per annum. As at 31 March 2014, 2015, 2016 and 31 July 2016, the effective interest rates on our interest-bearing bank loans were 2.71% to 2.96%, 2.71% to 4.25%, 5.0% and 3.5% per annum, respectively.

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INCOME TAX EXPENSES

Our Group's revenue was derived in Hong Kong and Macau and, therefore, our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits for the Track Record Period. All our Macau's operations were subject to Macau complementary income tax up to the maximum of 12% during the Track Record Period. The effective tax rates of our Group for each of the years ended 31 March 2014, 2015, 2016 and 31 July 2016 were approximately 12.6%, 19.7%, 19.4% and 20.1%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 31 July 2016 compared with four months ended 31 July 2015

Revenue

Our Group's revenue decreased by approximately HK\$4.6 million or approximately 3.8% from approximately HK\$121.4 million for the four months ended 31 July 2015 to approximately HK\$116.8 million for the four months ended 31 July 2016. Such decrease in our revenue was primarily attributable to the net effect of:

- (i) a decrease in revenue of approximately HK\$19.6 million from approximately HK\$21.6 million for the four months ended 31 July 2015 to approximately HK\$2.0 million for the four months ended 31 July 2016 for our Project 22 which we had commenced work orders and had achieved significant completion in FY2016;
- (ii) an increase in revenue of approximately HK\$43.5 million recognised for our two projects, namely Project 23 and Project 24, which we had commenced works in FY2016 and had achieved significant completion during the four months ended 31 July 2016; and
- (iii) an increase in revenue of approximately HK\$22.0 million recognised for our five new projects, namely Project 25, Project 26, Project 27, Project 29 and Project 31, which we had commenced work orders during the four months ended 31 July 2016.

Further details of the aforesaid projects are set out in the section headed "Business – Our business model and our projects – Our projects" in this prospectus.

FINANCIAL INFORMATION

Cost of services

Cost of services decreased from approximately HK\$102.9 million for the four months ended 31 July 2015 to approximately HK\$94.9 million for the four months ended 31 July 2016, representing a decrease of approximately 7.8%. The decrease was in line with the overall decrease in total revenue of approximately 3.8%. Such decrease was mainly attributable to the decrease in subcontracting charges and construction material costs for our Project 22, which we had commenced work orders and had achieved significant completion in FY2016. Our subcontracting charges and construction material costs were the main component of our Group's cost of services, amounting to approximately 83.1% and approximately 65.3% for each of four months ended 31 July 2015 and 2016, respectively. As a result of decreased in works performed and less construction materials consumed, the subcontracting charges and construction material costs decreased.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$18.5 million for the four months ended 31 July 2015 to approximately HK\$21.8 million for the four months ended 31 July 2016, representing an increase of approximately 17.8%. During the same period, our overall gross profit margin increased from approximately 15.3% to approximately 18.7%. The increase in our gross profit was mainly attributable to (i) Project 18, which we had commenced our work orders in FY2015 and in full swing in FY2016, generated approximately HK\$5.9 million gross profit representing approximately 27.0% of our gross profit for the four months ended 31 July 2016; and (ii) Project 23, which had commenced our work orders and in full swing in FY2016, generated approximately HK\$11.2 million gross profit representing approximately 51.2% of our gross profit for the four months ended 31 July 2016.

Other income

Our other income increased by approximately HK\$3.1 million from approximately HK\$1.9 million for the four months ended 31 July 2015 to approximately HK\$5.0 million for the four months ended 31 July 2016, representing an increase of approximately 163.2%. Such increase was mainly attributable to the income generated from the sales of scrap materials, in particular, our steel platform of approximately HK\$3.9 million during the four months ended 31 July 2016.

Other gains and losses

Our other gains and losses decreased by approximately HK\$0.3 million from approximately HK\$0.5 million for the four months ended 31 July 2015 to approximately HK\$0.2 million for the four months ended 31 July 2016, representing a decrease of approximately 60.0%. Such decrease was mainly attributable to the decrease in our foreign exchange loss by approximately HK\$0.2 million.

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Administrative expenses

Our administrative expenses increased from approximately HK\$5.5 million for the four months ended 31 July 2015 to approximately HK\$10.1 million for the four months ended 31 July 2016, representing an increase of approximately 83.6%. Such increase was mainly attributable to the Listing expenses incurred.

Our Listing expenses of approximately HK\$4.6 million were recorded for the four months ended 31 July 2016 compared to nil for the four months ended 31 July 2015. For more details, please refer to paragraph headed “Listing expenses” in this section.

Finance costs

Finance costs increased from approximately HK\$0.2 million for the four months ended 31 July 2015 to approximately HK\$0.3 million for the four months ended 31 July 2016, representing an increase of approximately 50.0%. Such increase was primarily due to the increase in our imputed interest expenses on our retention payables as a result of increase in our retention payables from approximately HK\$11.3 million as at 31 March 2016 to approximately HK\$12.4 million as at 31 July 2016.

Income tax expenses

Our income tax expenses increased from approximately HK\$2.6 million for the four months ended 31 July 2015 to approximately HK\$3.2 million for the four months ended 31 July 2016. Such increase was mainly due to the increase in assessable profits of our Group during the four months ended 31 July 2016. Our Group’s effective tax rate increased from 19.9% for the four months ended 31 July 2015 to 20.1% for the four months ended 31 July 2016.

Total comprehensive income for the period

As a result of the foregoing, our total comprehensive income amounted to approximately HK\$13.2 million for the four months ended 31 July 2016 as compared to approximately HK\$10.4 million for the four months ended 31 July 2015.

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

Revenue

Our Group’s revenue increased by approximately HK\$321.2 million or approximately 224.5% from approximately HK\$143.1 million in FY2015 to approximately HK\$464.3 million in FY2016. Such increase in our revenue was primarily attributable to the net effect of:

- (i) an increase in revenue of approximately HK\$94.0 million recognised for our Project 22, which we had commenced work orders and had achieved significant completion in FY2016. As at 31 March 2016, approximately 99.8% or above of work orders completed for the abovementioned project;

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- (ii) an increase in revenue of approximately HK\$102.8 million recognised for our Project 23, which we had commenced works and in full swing in FY2016. As at 31 March 2016, approximately 61.8% of work orders completed for the abovementioned project;
- (iii) an increase in revenue of approximately HK\$164.5 million recognised for our Project 18 in FY2016, which commenced and recognised approximately HK\$23.0 million revenue in FY2015 and were in full swing and recognised approximately HK\$187.5 million in FY2016. As at 31 March 2016, around 88.4% of our work orders completed for our Project 18; and
- (iv) a decrease in revenue by approximately HK\$39.6 million from approximately HK\$42.3 million recognised for our two projects, namely Project 15 and Project M2, in FY2015 as compared to the revenue of approximately HK\$2.7 million recognised for the same projects which we had achieved significant completion in FY2015.

Further details of the aforesaid projects are set out in the section headed “Business – Our business model and our projects – Our projects” in this prospectus.

Cost of services

Cost of services increased from approximately HK\$121.2 million in FY2015 to approximately HK\$390.7 million in FY2016, representing an increase of approximately 222.4%. The increase was in line with the overall increase in total revenue of approximately 224.5%. Such increase was mainly attributable to the increase in subcontracting charges and construction material costs for several projects, in particular, Project 22 and Project 23, which had commenced works and were in full swing in FY2016. Our subcontracting charges and construction materials were the main component of our Group’s cost of services, amounting to approximately 67.2% and 72.1% of the total costs of services for each of FY2015 and FY2016 respectively. The construction materials used in carrying out our Group’s works mainly H-piles and sheet piles. As a result of increased works performed and more construction materials were consumed, the subcontracting charges and construction material costs increased.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$21.9 million in FY2015 to approximately HK\$73.6 million in FY2016, representing an increase of approximately 236.1%. During the same period, our overall gross profit margin remain at the similar level of approximately 15.3% and 15.9% respectively. The increase in our gross profit was mainly attributable to (i) Project 18, which we had commenced our works in FY2015 and in full swing in FY2016, generated approximately HK\$23.2 million gross profit representing approximately 31.5% of our total gross profit; and (ii) Project 23, which we had commenced our works and in full swing in FY2016, generated approximately HK\$28.4 million gross profit representing approximately 38.6% of our gross profit in FY2016.

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Other income

Our other income decreased by approximately HK\$5.7 million from approximately HK\$8.8 million in FY2015 to approximately HK\$3.1 million in FY2016, representing a decrease of approximately 64.8%. Such decrease was mainly attributable to (i) decrease in our machinery rental income of approximately HK\$4.6 million from approximately HK\$7.1 million in FY2015 to approximately HK\$2.5 million in FY2016; (ii) decrease in the interest income of approximately HK\$0.1 million from approximately HK\$0.3 million in FY2015 to approximately HK\$0.2 million in FY2016; and (iii) decrease in the imputed interest on retention receivables by approximately HK\$1.0 million from approximately HK\$1.2 million in FY2015 to approximately HK\$0.2 million in FY2016.

Other gains and losses

Our other gains and losses decreased by approximately HK\$0.9 million from approximately HK\$0.7 million other gains in FY2015 to approximately HK\$0.2 million other losses in FY2016. Such decrease was mainly due to the loss on disposal of managed funds at fair value through profit or loss of approximately HK\$28,000 in FY2016 compared to approximately HK\$1.0 million gain on disposal of our managed funds at fair value through profit or loss.

Administrative expenses

Administrative expenses increased from approximately HK\$16.9 million in FY2015 to approximately HK\$25.1 million in FY2016, representing an increase of approximately 48.5%. Such increase was mainly attributable to the listing expenses and increase in directors' remuneration.

Our Listing expenses of approximately HK\$4.4 million were recorded in FY2016 compared to nil in FY2015. For more details, please refer to paragraph headed "Listing expenses" in this section.

Our directors' remuneration increased to approximately HK\$6.3 million in FY2016 compared to approximately HK\$2.0 million in FY2015, primarily due to the increase in bonus paid to our Directors as a result of the overall performance of our Group increased significantly in FY2016.

Finance costs

Finance costs decreased from approximately HK\$1.2 million in FY2015 to approximately HK\$0.8 in FY2016, representing a decrease of approximately 33.3%. Such decrease was due to the decrease in finance charges incurred under finance leases as a result of our Group repaid the finance lease payable in FY2016.

Income tax expenses

Our income tax expenses increased to approximately HK\$9.6 million in FY2016 compared to approximately HK\$2.7 million in FY2015. Such increase was mainly due to the increase in assessable profits of our Group during FY2016. Our Group's effective tax rate remained at similar level of 19.7% in FY2015 and 19.4% in FY2016.

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Total comprehensive income for the year

As a result of the foregoing, our total comprehensive income amounted to approximately HK\$39.9 million in FY2016 as compared to approximately HK\$10.9 million in FY2015.

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

Revenue

Our revenue decreased significantly by approximately HK\$321.0 million from approximately HK\$464.1 million in FY2014 to approximately HK\$143.1 million in FY2015, representing a decrease of approximately 69.2%. The aforesaid decrease was mainly attributable to:

- (i) a decrease in revenue of approximately HK\$142.3 million from approximately HK\$153.9 million in FY2014 to approximately HK\$11.6 million in FY2015 for 6 projects, namely Project 1, Project 2, Project 4, Project 6, Project 7, and Project M1, which commenced during the year ended 31 March 2013, were in full swing and completed in FY2014;
- (ii) a decrease in revenue of approximately HK\$270.0 million from approximately HK\$291.3 million in FY2014 to approximately HK\$21.3 million in FY2015 for 6 projects, namely Project 11, Project 12, Project M2, Project V1, Project V2 and Project V3, which commenced in FY2014 and completed in FY2015;
- (iii) as illustrated below, we recorded an increase in the number of projects handled. However, we recorded a decrease in number of relatively larger scale and higher income projects as a result of the completion of our two sizable luxury hotel resort foundation projects in Macau and one sizable foundation project in Hong Kong, namely Project M1, Project M2 and Project 11, which contributed approximately HK\$84.4 million, HK\$232.3 million and HK\$51.4 million revenue in FY2014, respectively, and approximately nil, HK\$15.2 million and HK\$1.6 million revenue in FY2015, respectively;

	As at 31 March	
	2014	2015
	<i>Number of projects</i>	<i>Number of projects</i>
Revenue recognised		
HK\$100,000,000 or above	1	–
HK\$50,000,000 to below HK\$100,000,000	2	–
HK\$10,000,000 to below HK\$50,000,000	4	4
HK\$1,000,000 to below HK\$10,000,000	4	13
Below HK\$1,000,000	5	13
	<u>16</u>	<u>13</u>
	<u>16</u>	<u>30</u>

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- (iv) after completion of our two sizable luxury hotel resort construction projects in Macau, namely Project M1 and Project M2, we were not awarded any new sizeable foundation project in Macau. The new projects awarded, namely Project M3, Project M4, Project M5 and Project M6, were in relatively small scale. As a result, our revenue generated in Macau significantly decreased by approximately 92.7% from HK\$316.7 million in FY2014 to HK\$23.1 million in FY2015. The following table sets forth the list of projects completed by our Group in Macau during the Track Record Period:

Project Number	Sector (Note 1)	Our role	Types	Year ended 31 March			Total revenue recognised during the Track Record Period
				2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	HK\$'000
Project M1	Private	Subcontractor	Foundation	84,395	–	–	84,395
Project M2	Private	Subcontractor	Foundation	232,313	15,155	–	247,468
Project M3	Private	Subcontractor	Foundation	–	2,845	–	2,845
Project M4	Public	Subcontractor	Loading test	–	1,620	956	2,576
Project M5	Private	Subcontractor	Foundation	–	3,270	–	3,270
Project M6	Private	Subcontractor	Foundation	–	170	–	170
Sub-total				<u>316,708</u>	<u>23,060</u>	<u>956</u>	<u>340,724</u>

Note:

- Public sector projects mainly consist of different departments of the Macau Government. Private sector projects mainly consist of property developers, construction companies and charitable organisation.

Due to the size of the projects, the average gross profit margin for Project M3, Project M4, Project M5 and Project M6, which accounted for approximately 7.1%, is also significantly lower than (i) the average gross profit margin for Project M1 and Project M2, which accounted for approximately 22.3% and (ii) the gross profit margin contributed from our foundation projects for each of the three years ended 31 March 2016 and the four months ended 31 July 2016, which was approximately 16.6%, 15.3%, 15.9% and 18.7%, respectively. In view of the size of our recent projects awarded in Macau, our Directors are of the view that there will be a slight chance for us to obtain sizable foundation projects and achieve the profit margin at a level similar to Project M1 and Project M2 in the future. Having considered the above and given that our headquarters and our principal place of business is located in Hong Kong, it is our Group's strategy to focus our long-term expansion and development plans on the foundation market in Hong Kong in order to attain better and closer management and communications with both the main contractors and the subcontractors of our foundation projects and to avoid any additional management and administration costs incurred from expanding our business in the foundation market in Macau.

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- (v) delay in commencement of piling works from March 2015 to September 2015 for our sizable Liantang/Heung Yuen Wai Boundary Control Point foundation project, namely Project 23, as a result of the rejection to increase the approved project estimate by HK\$8,719.9 million from HK\$16,235.2 million to HK\$24,973.1 million in money-of-the-day prices by the Legislative Council of Hong Kong in the public works subcommittee of finance committee meeting on 9 January 2015.

The following table illustrated the changes in percentage of revenue in each geographical location:

	For the year ended		Change in revenue %
	31 March		
	2014	2015	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Hong Kong	147,391	120,022	(18.6)
Macau	<u>316,708</u>	<u>23,060</u>	<u>(92.7)</u>
	<u>464,099</u>	<u>143,082</u>	<u>(69.2)</u>

Further details of the aforesaid projects are set out in the section headed “Business – Our business model and our projects – Our projects” in this prospectus.

Cost of services

Cost of services decreased from approximately HK\$387.0 million in FY2014 to approximately HK\$121.2 million in FY2015, representing a decrease of approximately 68.7%. The decrease was in line with the overall decrease in total revenue of approximately 69.2%. Such decrease was mainly attributable to the decrease in subcontracting charges and construction material costs as we had completed several projects in FY2015.

Gross profit and gross profit margin

Our gross profit decreased from approximately HK\$77.1 million in FY2014 to approximately HK\$21.9 million in FY2015, representing an decrease of approximately 71.6%. The decrease in our gross profit was primarily attributable to (i) Project 11 and Project M2, which were in full swing in FY2014 and completed in FY2015, generated approximately HK\$44.6 million in FY2014 and decreased to approximately HK\$6.1 million in FY2015; and (ii) Project M1, which was in full swing and completed in FY2014 generated approximately HK\$23.6 million gross profit in FY2014 compared to nil in FY2015.

During the same period, our overall gross profit margin decreased from approximately 16.6% to approximately 15.3%. The decrease in gross profit margin was mainly attributable to (i) Project M1, which was in full swing and completed in FY2014, accounted for approximately 30.6% of our total gross profit in FY2014, which had relatively high gross profit margin of approximately 28.0% as compared to our overall gross profit margin of approximately 16.6% in FY2014; and (ii) 21 new projects commenced in FY2015 in which 11 projects had lower gross profit margin than our overall gross profit margin of approximately 15.3% in FY2015.

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Other income

Other income increased from approximately HK\$7.3 million in FY2014 to approximately HK\$8.8 million in FY2015, representing an increase of approximately 20.5%. Such increase was mainly attributable to the increase in the machinery rental income and sales of scrap materials income of approximately HK\$0.5 million, as well as increase in the interest income on our retention receivables of approximately HK\$1.0 million.

Other gains and losses

Our other gains and losses increased by approximately HK\$0.3 million from approximately HK\$0.4 million in FY2014 to approximately HK\$0.7 million in FY2015. Such increase was mainly due to our gain on disposal of fund investments which classified as financial assets at fair value through profit or loss of approximately HK\$1.0 million in FY2015 compared to nil in FY2014.

Administrative expenses

Administrative expenses decreased from approximately HK\$33.2 million in FY2014 to approximately HK\$16.9 million in FY2015, representing a decrease of approximately 49.1%. Such decrease was mainly attributable to the decrease in the salaries and bonus by approximately HK\$1.4 million, and decrease in the directors' remuneration by approximately HK\$12.8 million as our overall total revenue decreased by approximately HK\$321.0 million or approximately 69.2%.

Finance costs

Finance costs decreased from approximately HK\$2.4 million in FY2014 to approximately HK\$1.2 million in FY2015, representing a decrease of approximately 50.0%. Such decrease was primarily due to the decrease in our interest on finance lease payables and bank loans as we repaid our finance lease payables and bank borrowings in FY2015. As a result, our balance of finance lease payables and bank borrowings decreased from approximately HK\$25.2 million in FY2014 to approximately HK\$12.2 million in FY2015.

Income tax expenses

Our income tax expenses decreased to approximately HK\$2.7 million in FY2015 compared to approximately HK\$6.3 million in FY2014. Such decrease was mainly due to the decrease in assessable profits of our Group during FY2015. Our Group effective tax rate increased from approximately 12.6% in FY2014 to approximately 19.7% in FY2015 mainly due to the lower profit tax rate of 12% in Macau. Since our Group generated approximately HK\$316.7 million or approximately 68.2% of our total revenue in Macau in FY2014, compared to approximately HK\$23.1 million or approximately 16.1% of our total revenue in Macau in FY2015. As such, our Group's effective tax rate of 12.6% in FY2014 was lower than the effective tax rate of 19.7% in FY2015.

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Total comprehensive income for the year

As a result of the foregoing, our total comprehensive income amounted to approximately HK\$10.9 million in FY2015 as compared to approximately HK\$43.8 million in FY2014.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows for the years indicated:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Net cash generated from operating activities	53,424	15,064	52,403	20,351	25,403
Net cash used in investing activities	(22,970)	(11,983)	(10,644)	7,992	(5,685)
Net cash generated from/(used in) financing activities	<u>9,148</u>	<u>(12,184)</u>	<u>(33,450)</u>	<u>(5,677)</u>	<u>(22,611)</u>
Net increase/(decrease) in cash and cash equivalents	39,602	(9,103)	8,309	22,666	(2,893)
Cash and cash equivalents at the beginning of the year	13,714	53,345	44,426	44,426	52,722
Effect of exchange rate changes on cash and cash equivalents	<u>29</u>	<u>184</u>	<u>(13)</u>	<u>(288)</u>	<u>243</u>
Cash and cash equivalents at the end of the year	<u><u>53,345</u></u>	<u><u>44,426</u></u>	<u><u>52,722</u></u>	<u><u>66,804</u></u>	<u><u>50,072</u></u>

NET CASH GENERATED FROM OPERATING ACTIVITIES

Our cash inflow from operating activities is primarily generated from construction works. During the Track Record Period, our cash outflow for operating activities is primarily related to staff costs, purchase of construction materials, subcontracting charges and administrative expenses. Our cash inflow from operating activities is affected by a number of factors, which include the progress of construction works projects and the settlement of trade receivables by our customers and trade payables by our Group.

For the four months ended 31 July 2016, our net cash generated from operating activities amounted to approximately HK\$25.4 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$20.4 million. The difference of approximately HK\$5.0 million was mainly attributable to (i) decrease in our trade and other receivables of approximately HK\$23.5 million; and (ii) increase in our amounts due from customers for contract work of approximately HK\$19.7 million mainly in connection with Project 23.

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In FY2016, our net cash generated from operating activities amounted to approximately HK\$52.4 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$66.5 million. The difference of approximately HK\$14.1 million was mainly attributable to (i) increase in trade and other receivables of approximately HK\$30.1 million due to the increase in our total revenue of approximately HK\$321.2 million; and (ii) increase in trade and other payables of approximately HK\$12.4 million due to increase in our cost of services by approximately HK\$269.4 million as a result of significant increase in our revenue.

In FY2015, our net cash generated from operating activities amounted to approximately HK\$15.1 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$27.8 million. The difference of approximately HK\$12.7 million was mainly attributable to the increase in amounts due from customers for contract works of approximately HK\$26.8 million mainly in connection with Project 18.

In FY2014, our net cash generated from operating activities amounted to approximately HK\$53.4 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$66.8 million. The difference of approximately HK\$13.4 million was mainly attributable to the increase in amounts due from customers for contract works of approximately HK\$14.0 million mainly in connection with Project 2 and Project 7.

NET CASH USED IN INVESTING ACTIVITIES

Our cash outflow for investing activities was primarily utilised to acquire property, plant and equipment to cope with our Group's business expansion, acquire insurance contract, and increase in pledged bank deposits. During the Track Record Period, our cash inflow from investing activities was primarily derived from proceeds from disposal of property, plant and equipment, proceeds from sale of fixed interest rate bond investment, proceeds from sale of managed funds, and interest income from bank deposits and bond investment.

For the four months ended 31 July 2016, our net cash used in investing activities amounted to approximately HK\$5.7 million which was mainly related to the cash outflow of approximately HK\$5.6 million utilised to acquire property, plant and equipment.

In FY2016, our net cash used in investing activities amounted to approximately HK\$10.6 million which was mainly related to the cash outflow of approximately HK\$29.6 million utilised to acquire property, plant and equipment, and approximately HK\$2.5 million as pledged deposits to bank for securing certain loan facility, partially offset by the proceeds from the disposal of our managed funds of approximately HK\$2.7 million, and decrease in amounts due from our related party of approximately HK\$12.1 million as a result of our related party, namely Unity Grand Limited, had settled their amounts due to us.

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In FY2015, our net cash used in investing activities amounted to approximately HK\$12.0 million which was mainly related to the cash outflow of approximately HK\$2.9 million utilised to acquire property, plant and equipment, approximately HK\$2.8 million utilised for premium paid for a life insurance policy, and approximately HK\$2.7 million as pledged deposits to bank for securing certain loan facility, partially offset by the proceeds from the sales of fixed interest rate bond investment of approximately HK\$2.5 million, approximately HK\$2.7 million generated from the proceeds from the sales of managed funds investment, and increase in amounts due from directors by approximately HK\$9.8 million.

In FY2014, our net cash used in investing activities amounted to approximately HK\$23.0 million which was mainly related to the cash outflow of approximately HK\$20.1 million utilised to acquire property, plant and equipment, and approximately HK\$8.1 million as pledged deposits to bank for securing certain loan facility, partially offset by the proceeds from the disposal of property, plant and equipment of approximately HK\$2.8 million, and decrease in amounts due from our related parties, Unity Grand Limited and Well Vantage Development Limited, by approximately HK\$5.8 million.

NET CASH GENERATED FROM/USED IN FINANCING ACTIVITIES

Our cash inflow from financing activities was primarily from proceeds from borrowings and proceeds from finance lease payables. During the Track Record Period, our cash used in financing activities primarily consists of repayment of principal and interest for bank loans as well as repayment of finance lease payables.

For the four months ended 31 July 2016, our net cash used in financing activities amounted to approximately HK\$22.6 million. Cash outflows mainly included (i) approximately HK\$4.9 million for the repayment of bank borrowings and bank interest; (ii) approximately HK\$2.0 million for the repayment of finance lease payables; and (iii) approximately HK\$20.2 million cash paid for dividend declared in May 2016.

In FY2016, our net cash used in financing activities amounted to approximately HK\$33.5 million which was mainly attributable to (i) approximately HK\$61.7 million for the repayment of bank borrowings and bank interest; (ii) approximately HK\$10.1 million for the repayment of finance lease payables; and (iii) approximately HK\$65.2 million generated from borrowings.

In FY2015, our net cash used in financing activities amounted to approximately HK\$12.2 million which was mainly attributable to (i) approximately HK\$2.3 million for the repayment of bank borrowings and bank interest; (ii) approximately HK\$13.4 million for the repayment of finance lease payables; and (iii) approximately HK\$28.9 million for the repayment of the amounts due to our related parties, Vanbo Design & Engineering Company and Well Vantage Development Limited.

In FY2014, our net cash generated from financing activities amounted to approximately HK\$9.1 million. Cash inflow included the finance lease payables raised of approximately HK\$16.9 million, and the borrowings raised of approximately HK\$141.0 million. Cash outflow mainly included approximately HK\$162.7 million for the repayment of bank borrowings and bank interest.

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SUFFICIENCY OF WORKING CAPITAL

Taking into account the cash generated from operating activities, the net proceeds of the Share Offer and the credit facilities maintained with financial institutions, our Directors are satisfied that we have sufficient working capital for our Group's present requirements during the 12 months following the date of this prospectus.

COMMITMENTS

During the Track Record Period, our commitments consisted of (i) operating lease commitments in relation to the lease of our office premises and warehouse; and (ii) capital commitments in relation to our acquisition of property, plant and equipment.

Operating lease commitments – Group as lessee

Our leases are negotiated for an original term of one to three years. As at 31 March 2014, 2015, 2016 and 31 July 2016, the total future minimum lease payments payable by our Group (as lessee in respect of the leases of office premises and warehouse) under non-cancellable operating leases which fall due as follow:

	As at 31 March		As at 31 July	
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,227	2,080	1,551	2,334
In the second to fifth years inclusive	<u>2,638</u>	<u>561</u>	<u>823</u>	<u>3,296</u>
	<u><u>4,865</u></u>	<u><u>2,641</u></u>	<u><u>2,374</u></u>	<u><u>5,630</u></u>

Capital commitments

As at 31 March 2014, 2015, 2016 and 31 July 2016, our Group have the following capital commitments:

	As at 31 March		As at 31 July	
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for				
Acquisition of property, plant and equipment				
– Pile driver	<u><u>–</u></u>	<u><u>3,584</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

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NET CURRENT ASSETS

Composition of our net current assets position

As at 31 March 2014, 2015, 2016, 31 July 2016 and 31 August 2016 we recorded net current assets of approximately HK\$93.4 million, HK\$106.2 million, HK\$141.8 million, HK\$73.6 million and HK\$78.4 million, respectively.

	As at 31 March			As at 31 July	As at 31 August
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2016 HK\$'000 <i>(unaudited)</i>
Current assets					
Trade and other receivables	44,642	34,400	64,663	42,076	36,480
Amounts due from customers for contract work	32,901	59,741	49,890	69,590	84,961
Amounts due from related parties	12,794	12,058	-	-	-
Amounts due from directors	13,229	23,023	19,773	-	-
Fixed interest rate bond investment	2,480	-	-	-	-
Financial assets at fair value through profit or loss	4,213	2,689	-	-	-
Pledged bank deposits	8,760	11,463	14,007	14,007	14,007
Cash and cash equivalents	<u>53,345</u>	<u>44,426</u>	<u>52,722</u>	<u>50,204</u>	<u>40,261</u>
	<u>172,364</u>	<u>187,800</u>	<u>201,055</u>	<u>175,877</u>	<u>175,709</u>
Current liabilities					
Bank overdraft	-	-	-	132	-
Trade and other payables	30,076	35,256	43,818	45,213	40,282
Dividend payables	-	-	-	40,000	40,000
Amounts due to related companies	28,904	-	-	-	-
Amount due to a director	-	30,569	-	-	-
Bank borrowings	1,597	595	4,794	4,491	3,015
Finance lease payables	13,175	9,329	3,269	1,830	2,975
Current tax liabilities	<u>5,206</u>	<u>5,842</u>	<u>7,371</u>	<u>10,567</u>	<u>11,068</u>
	<u>78,958</u>	<u>81,591</u>	<u>59,252</u>	<u>102,233</u>	<u>97,340</u>
	<u><u>93,406</u></u>	<u><u>106,209</u></u>	<u><u>141,803</u></u>	<u><u>73,644</u></u>	<u><u>78,369</u></u>

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Our Group recorded an increase in net current assets position by approximately HK\$12.8 million as at 31 March 2015 as compared to the previous year. This was mainly attributable to the increase in amounts due from customers for contract works, amounts due from directors, and pledged bank deposit, partially offset by an increase in amount due to related companies. As at 31 March 2016, our Group's net current assets position increased to approximately HK\$141.8 million due to the increase in trade and other receivables, cash and cash equivalents, and pledged bank deposit as a result of our revenue increased by approximately HK\$321.2 million. As at 31 July 2016, our Group recorded a decrease in net current assets position by approximately HK\$68.2 million as compared to the previous period. Such decrease was mainly due to increase in our dividend paid in May 2016 by HK\$40.0 million and dividend payables by HK\$40.0 million which was declared in June 2016 and will be paid in October 2016.

TRADE AND OTHER RECEIVABLES ANALYSIS

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

	As at 31 March		As at 31 July	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Trade receivables	8,007	9,424	18,806	8,674
Retention receivables	31,128	21,342	40,792	28,984
Other receivables	3,194	1,031	2,247	1,292
Prepayments and deposits	<u>2,313</u>	<u>2,603</u>	<u>2,818</u>	<u>3,126</u>
	<u>44,642</u>	<u>34,400</u>	<u>64,663</u>	<u>42,076</u>

Trade receivables

Our trade receivables represent the amounts of contract work performed by us that the relevant payment applications had been submitted by us but not yet paid by the customers. In general, our Group submits payment applications to our customers on a monthly basis in accordance with the value of work which may include variation works and claims, if any, undertaken for construction works projects. The credit terms granting to our customers typically ranges from 0 to 60 days from the date of the consultant/architect's certification or the date of invoice, subject to actual payment certification and the terms and conditions of the contracts.

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The following table sets out our turnover days of trade receivables during the Track Record Period:

	For the year ended 31 March			For the four months ended
	2014	2015	2016	31 July 2016
Trade receivables (<i>HK\$'000</i>)	8,007	9,424	18,806	8,674
Revenue (<i>HK\$'000</i>)	464,099	143,082	464,303	116,789
Turnover days of trade receivables (<i>Note</i>)	13.9 days	22.2 days	11.1 days	14.1 days

Note: The trade receivables turnover days for a given year is calculated based on the average of beginning and ending total trade receivables balance as at the year-end divided by revenue for that year and multiplied by the numbers of days of the year or period (i.e. 365 days for a full year and 120 days for the four months ended 31 July).

Despite our revenue from construction projects decreased from approximately HK\$464.1 million in FY2014 to approximately HK\$143.1 million in FY2015, our trade receivables increased from approximately HK\$8.0 million as at 31 March 2014 to approximately HK\$9.4 million as at 31 March 2015 as our Group increases in number of works commenced and several projects substantially completed near the end of FY2015. Our Group's revenue increased significantly from approximately HK\$143.1 million to approximately HK\$464.3 million, while our Group's trade receivables increased from approximately HK\$9.4 million to HK\$18.8 million in FY2016.

Our trade receivables turnover days were approximately 13.9 days for FY2014, approximately 22.2 days for FY2015, approximately 11.1 days for FY2016, and approximately 14.1 days for the four months ended 31 July 2016. Such fluctuation was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us. As our business operates on a non-recurring and project-by-project basis, our revenue recognised during the Track Record Period may fluctuate subject to the size and the progress of our construction works contracts at a given time thereby affecting our trade receivables balances as at the respective year ends and the trade receivables turnover days during the Track Record Period.

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The following table sets out an aging analysis of our trade receivables as of the dates indicated:

	As at 31 March			As at	Subsequent settlement	
	2014	2015	2016	31 July	up to Latest	
	HK\$'000	HK\$'000	HK\$'000	2016	Practicable Date	
				HK\$'000	HK\$'000	%
0 to 30 days	6,955	9,323	16,748	8,096	8,096	100.0
31 to 90 days	900	101	1,703	-	-	-
91 to 365 days	-	-	355	578	375	64.9
Over 365 days	152	-	-	-	-	-
	<u>8,007</u>	<u>9,424</u>	<u>18,806</u>	<u>8,674</u>	<u>8,471</u>	<u>97.7</u>

The ageing analysis of trade receivables, based on due date, as at the end of each year of the Track Record Period are as follow:

	As at 31 March			As at	Subsequent settlement up	
	2014	2015	2016	31 July	to Latest	
	HK\$'000	HK\$'000	HK\$'000	2016	Practicable Date	
				HK\$'000	HK\$'000	%
Neither past due nor impaired	<u>6,955</u>	<u>9,323</u>	<u>16,748</u>	<u>8,096</u>	<u>8,096</u>	<u>100.0</u>
Past due but not impaired						
Past due for less than 30 days	-	101	1,320	-	-	-
Past due for 30 days or more but less than 90 days	900	-	383	256	256	100.0
Past due for 90 days or more but less than 365 days	-	-	355	322	119	37.0
Past due for 365 days or more	<u>152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>8,007</u>	<u>9,424</u>	<u>18,806</u>	<u>8,674</u>	<u>8,471</u>	<u>97.7</u>

As at 31 March 2014, 2015, 2016 and 31 July 2016, included in our Group's trade receivable balances were debtors with aggregate carrying amounts of approximately HK\$1.1 million, HK\$0.1 million, HK\$2.1 million and HK\$0.6 million, respectively which were past due at each reporting period end for which our Group has not provided for impairment loss. As at 31 July 2016, our trade receivables outstanding for 30 days or more but less than 365 days were approximately HK\$0.6 million. As at the Latest Practicable Date, 97.7% of our trade receivables as at 31 July 2016 had been settled.

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We did not make any provision for doubtful debt in respect of trade receivables during the Track Record Period. When determining the provision of doubtful debts, our Directors would consider individual customers on a case-by-case basis and will take into account the factors including but not limited to, the customers' credit history, customers' reputation and customers' financial condition. Our directors consider that there has not been a significant change in credit quality of the trade receivables and there was no recent history of default, therefore the amounts of receivables are considered recoverable.

Retention receivables

Retention receivables represent the retention money required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money depends on negotiation between the parties, which are 5.0% or 10.0% of the value of works certified and is subject to a maximum retention of 2.5% or 5.0% of the total original contract sum. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may subject to, completion of the contract works, or a pre-agreed time period after the completion of the contract works. Our retention receivables amounted to approximately HK\$31.1 million, HK\$21.3 million, HK\$40.8 million and HK\$29.0 million as at 31 March 2014, 2015, 2016 and 31 July 2016, respectively. Approximately 3.6% of the retention receivables as at 31 July 2016 were subsequently settled up to the Latest Practicable Date.

The ageing analysis of retention receivables, based on the defect liability period end date, as at the end of each year of the Track Record Period are as follow:

	As at 31 March			As at	Subsequent settlement up	
	2014	2015	2016	31 July	to the Latest Practicable	
	HK\$'000	HK\$'000	HK\$'000	2016	HK\$'000	%
Neither past due nor impaired	30,947	15,775	32,706	26,068	86	0.3
Past due but not impaired						
Past due for less than 30 days	-	-	-	-	-	-
Past due for 30 days or more but less than 90 days	-	-	-	-	-	-
Past due for 90 days or more but less than 180 days	-	5,567	845	-	-	-
Past due for 181 days or more	181	-	7,241	2,916	956	32.8
	<u>31,128</u>	<u>21,342</u>	<u>40,792</u>	<u>28,984</u>	<u>1,042</u>	<u>3.6</u>

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As at 31 March 2014, 2015, 2016 and 31 July 2016, our retention receivables amounted to approximately HK\$31.1 million, HK\$21.3 million, HK\$40.8 million and HK\$29.0 million, respectively. Our Group's retention receivable balances were debtors with aggregate carrying amounts of approximately HK\$0.2 million, HK\$5.6 million, HK\$8.1 million and HK\$2.9 million, respectively which were past due at each reporting period end for which our Group has not provided for impairment loss. As at the Latest Practicable Date, approximately HK\$1.0 million out of HK\$2.9 million past due retention receivables has been settled, which representing approximately 32.8% of our total past due retention receivables as at 31 July 2016.

As the release of retention money varies from contract to contract, which may be subject to, completion of the contract works or a pre-agreed time period after the completion of the contract works, our Directors consider that it being common that these balances vary from period to period. When determining whether or not it is necessary to make impairment on retention receivables, our Directors would consider individual customers on a case-by-case basis and will take into account the factors including, but not limited to, the customers' credit history, customers' reputation and customers' financial condition. During the Track Record Period, our Group's remaining balances of retention receivables were neither past due nor impaired. Our Group did not experience material difficulty in collecting the retention receivable from customers.

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables mainly consist of rental deposit, deposit for the purchase of construction materials and accessories, deposit for the acquisition of machinery and equipment, deposits for recoverable insurance, utility deposits and prepayment for listing expenses.

Our deposits, prepayment and other receivables balance decreased from approximately HK\$5.5 million as at 31 March 2014 to approximately HK\$3.6 million as at 31 March 2015, which mainly due to the net decrease in prepayment to our suppliers in relation to the purchase of construction materials.

Our deposit, prepayment and other receivables balance increased from approximately HK\$3.6 million as at 31 March 2015 to approximately HK\$5.1 million as at 31 March 2016, which was mainly due to the prepayment of listing expenses in relation to the Listing.

Our deposit, prepayment and other receivables balance decreased from approximately HK\$5.1 million as at 31 March 2016 to approximately HK\$4.4 million as at 31 July 2016, which was mainly due to the decrease in prepayment to our suppliers in relation to the purchase of construction materials.

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AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

Our revenue from construction contracts is recognised based on the stage of completion of the contracts. The stage of completion is established by reference to contract works certified. Generally, for projects recognised under construction contracts, we apply for progress billing to reflect our works performed every month and our customers issue a payment certificate certifying the portion of works completed after inspection. As it takes time for the payment certificates to be issued, there is normally a timing difference between the completion of site works, the issuance of payment certificates and billing of the construction projects. Nevertheless, our Directors will consider payment certificates received subsequent to the end of each reporting period for estimation of revenue from construction contract to be recognised for each reporting period in which the contract work is performed. Contract revenue is matched with the contract costs incurred in reaching the stage of completion pursuant to the requirement of Hong Kong Accounting Standard 11 “Construction Contracts”.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. The following table sets out the amounts due from/to customers for contract work as at the end of each financial year as indicated.

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognised profits less recognised losses	691,307	610,973	808,415	700,482
Less: progress billings	<u>(658,406)</u>	<u>(551,232)</u>	<u>(758,525)</u>	<u>(630,892)</u>
Amounts due from customers for contract work	<u>32,901</u>	<u>59,741</u>	<u>49,890</u>	<u>69,590</u>
	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Analysed for reporting purpose as:				
Amounts due from customers for contract work	32,901	59,741	49,890	69,590
Amounts due to customers for contract work	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>32,901</u>	<u>59,741</u>	<u>49,890</u>	<u>69,590</u>

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As at 31 March 2014, 2015, 2016 and 31 July 2016, our amount due from customers for contract work were approximately HK\$32.9 million, HK\$59.7 million, HK\$49.9 million and HK\$69.6 million, respectively. Such amounts were primarily attributable to a project completed prior to the Track Record Period but our Group was yet to bill the certain amount of the whole value of construction works performed by us for the respective period.

The amount due from/to customers for contract work are typically affected by the value of works we performed close to the end of each reporting period and the timing of receiving certificates, thus the amounts vary from period to period. Furthermore, considering the vast number of items related to construction works projects, negotiation with customers for the value of work, performed by us set out in the payment certificates is common.

PLEGDED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

As at 31 March 2014, 2015, 2016 and 31 July 2016, we pledged deposits of approximately HK\$8.8 million, HK\$11.5 million, HK\$14.0 million and HK\$14.0 million, respectively, to banks securing certain short-term banking facilities granted to our Group. As at 31 March 2014, 2015, 2016 and 31 July 2016, we had bank balances and cash of approximately HK\$53.3 million, HK\$44.4 million and HK\$52.7 million and HK\$50.2 million, respectively.

TRADE AND OTHER PAYABLES ANALYSIS

Our trade and other payables consisted of (i) trade payables; (ii) retention payables; and (iii) other payables and accruals. The following table sets out the breakdown of trade and other payables as at the respective dates indicated:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	10,423	24,479	22,587	22,478
Retention payables	6,764	5,989	11,321	12,371
Other payables and accruals	<u>12,889</u>	<u>4,788</u>	<u>9,910</u>	<u>10,364</u>
	<u>30,076</u>	<u>35,256</u>	<u>43,818</u>	<u>45,213</u>

Trade payables

Our trade payables are primarily related to the purchases of construction materials and works performed by subcontractors.

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The following table sets out our turnover days of trade payables during the Track Record Period:

	For the year ended 31 March			For the four months ended
	2014	2015	2016	31 July 2016
Trade payables (<i>HK\$'000</i>)	10,423	24,479	22,587	22,478
Cost of services (adjusted for excluding certain direct costs) (<i>Note</i>) (<i>HK\$'000</i>)	338,295	90,551	316,809	70,718
Turnover days of trade payables (<i>Note</i>)	16.5 days	70.3 days	27.1 days	38.2 days

Note: The trade payables turnover days for a given year is calculated based on the average of beginning and ending total trade payables balance as at the year-end divided by the cost of services (excluding staff costs of direct labour and depreciation expenses of plant and machineries directly involved in projects) for that year and multiplied by the numbers of days of the year or period (i.e. 365 days for a full year and 120 days for the four months ended 31 July).

Our cost of services decreased from approximately HK\$387.0 million in FY2014 to approximately HK\$121.2 million in FY2015, while our trade payables increased from approximately HK\$10.4 million as at 31 March 2014 to approximately HK\$24.5 million as at 31 March 2015. Such increase in trade payables was mainly attributable to the increase in credit purchase near the end of FY2015 for new projects commenced in FY2016.

As our business operates on a non-recurring and project-by-project basis, our cost of services incurred during the Track Record Period may fluctuate, subject to the size and the progress of our construction works at a given time, thereby affecting our trade payables balance as at the respective year ends and the trade payables turnover days during the Track Record Period. During the Track Record Period, our Group's trade payables turnover days were approximately 16.5 days, 70.3 days, 27.1 days, and 38.2 days, respectively which was primarily affected by different credit periods granted by different suppliers. We are usually granted by suppliers a credit period ranging from 7 to 60 days. In FY2015, our Group's turnover days of trade payables increased to approximately 70.3 days from approximately 16.5 days in FY2014. Such increase was mainly attributable to the significant decrease in our costs of services as a result of decrease in our revenue, while our trade payable increased significantly by approximately 134.9% due to our Group purchase relatively large amount of construction materials near the end of FY2015 for our new projects commenced in FY2016. In particular, we purchased relatively large amounts of construction materials near the end of FY2015 for our sizable project, Project 18, which commenced at the end of FY2015 and in full swing in FY2016.

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In FY2016, our Group's turnover days of trade payables decreased significantly from approximately 70.3 days in FY2015 to approximately 27.1 days. Such decrease was mainly attributable to the increase in our adjusted cost of services by approximately 249.9% as a result of the increase in our revenue by approximately 224.5% in FY2016, while our trade payable decreased by approximately 7.7% in FY2016. For the four months ended 31 July 2016, our Group's turnover days of trade payables increase from approximately 27.1 days to approximately 38.2 days. Such increase was mainly attributable to our Group's trade payables slightly decreased to approximately HK\$22.5 million due to an increase in credit purchase during the four months ended 31 July 2016.

The following is an aging analysis of the trade payables as at each reporting dates:

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
0 to 30 days	5,135	22,453	14,944	10,598
31 to 90 days	2,238	657	7,336	11,313
91 to 365 days	138	319	7	–
Over 365 days	<u>2,912</u>	<u>1,050</u>	<u>300</u>	<u>567</u>
	<u>10,423</u>	<u>24,479</u>	<u>22,587</u>	<u>22,478</u>

Up to the Latest Practicable Date, 91.1% of our trade payables as at 31 July 2016 had been settled.

Retention payables

As at each of 31 March 2014, 2015, 2016 and 31 July 2016, the retention payables were approximately HK\$6.8 million, HK\$6.0 million, HK\$11.3 million and HK\$12.4 million, respectively. The release of retention money varies from contract to contract, which may be subject to, completion of the contract works or a pre-agreed time period after the completion of the contract works. As a result of our expanding business, we outsourced more of our construction works to subcontractors and our retention payables was in an increasing trend during the Track Record Period. Approximately 0.9% of the retention payables as at 31 July 2016 was subsequently settled up to the Latest Practicable Date.

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Accruals, provisions and other payables

The following table sets forth a breakdown of our accruals, provisions and other payables as at each reporting date:

	As at 31 March			As at
	2014	2015	2016	31 July 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals	9,542	1,412	6,331	6,785
Provisions				
– Long term service payment	2,930	2,905	2,966	2,966
– Annual leave	369	318	564	564
Other payables	<u>48</u>	<u>153</u>	<u>49</u>	<u>49</u>
Total	<u>12,889</u>	<u>4,788</u>	<u>9,910</u>	<u>10,364</u>

Our accruals mainly represented (i) accruals for staff salaries, wages and allowances; (ii) auditors' remuneration; (iii) accrued director emolument; and (iv) accrued listing expenses. Accruals decreased from approximately HK\$9.5 million as at 31 March 2014 to approximately HK\$1.4 million as at 31 March 2015 was mainly due to the decrease in the accrued directors' emolument from approximately HK\$6.2 million as at 31 March 2014 to nil as at 31 March 2015. As at 31 March 2016, accruals increased from approximately HK\$1.4 million as at 31 March 2015 to approximately HK\$6.3 million mainly attributable to the increase in accrued listing expense of approximately HK\$1.5 million in relation to the Listing.

Our provisions are principally related to our staffs' long term service payment and annual leave. As at 31 March 2014, 2015, 2016 and 31 July 2016, our provision for long term service payment and annual leave remained stable at approximately HK\$3.3 million, HK\$3.2 million, HK\$3.5 million and HK\$3.5 million, respectively.

AMOUNTS DUE FROM/TO DIRECTORS

Details of the amounts due from/to our Directors are summarized in note 16 to the Accountant's Report set out in the Appendix I to this prospectus. Our amounts due from/to our Directors are unsecured, interest-free and repayable on demand, except for an amount due from our Director, Ms. Amanda Chan of approximately HK\$79,000, nil, nil and nil as at 31 March 2014, 2015, 2016 and 31 July 2016, respectively which bore interest at 2.75% plus 1-month Hong Kong Interbank Offered Rate, and repayable by monthly fixed instalment. During the Track Record Period, our Directors confirm that the amounts due from our Directors represented cash advanced by our Group to Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, and Mr. Simon Chan for their own personal uses; while the amounts due to our Director represented cash advanced by Mr. Edmond Chan to our Group for operation use. All the amounts due from/to our Directors are non-trade in nature and have been fully settled in May 2016 and March 2016 respectively.

FINANCIAL INFORMATION

Amounts due from Mr. Gary Chan

The following table sets forth the movements of amount due from our Director, Mr. Gary Chan, during the Track Record Period:

	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 April	7,199	5,932	6,615	9,948
Funds transferred from				
Mr. Gary Chan	(1,902)	(293)	(3)	–
Funds transferred to Mr. Gary Chan	635	976	3,343	–
Expenses paid by Mr. Gary Chan	–	–	(7)	–
Reallocation from Mr. Simon Chan	–	–	–	6,995
Offsetting by dividend	–	–	–	(16,943)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Balance as at 31 March/31 July	<u>5,932</u>	<u>6,615</u>	<u>9,948</u>	<u>–</u>

During the year from 1 April 2013 to 31 March 2014, the movements of the amount due from Mr. Gary Chan included (i) funds transferred from Mr. Gary Chan of approximately HK\$1.9 million as the repayments to us; and (ii) the funds transferred to Mr. Gary Chan of approximately HK\$0.6 million as our advances to him for his personal use.

During the year from 1 April 2014 to 31 March 2015, the movements of the amount due from Mr. Gary Chan included (i) funds transferred from Mr. Gary Chan of approximately HK\$0.3 million as the repayments to us; and (ii) the funds transferred to Mr. Gary Chan of approximately HK\$1.0 million as our advances to him for his personal use.

During the year from 1 April 2015 to 31 March 2016, the movements of the amount due from Mr. Gary Chan included (i) funds transferred from Mr. Gary Chan of approximately HK\$3,000 as the repayments to us; and (ii) the funds transferred to Mr. Gary Chan of approximately HK\$3.3 million as our advances to him for his personal use.

During the period from 1 April 2016 to 31 July 2016, the movements of the amount due from Mr. Gary Chan included (i) reallocation from Mr. Simon Chan of approximately HK\$7.0 million; and (ii) offsetting the amount due from Mr. Gary Chan of approximately HK\$16.9 million partially by the dividend declared in June 2016.

All the outstanding amounts due from Mr. Gary Chan has been fully settled in May 2016.

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Amounts due from/(to) Mr. Edmond Chan

The following table sets forth the movements of amount due from/(to) our Director, Mr. Edmond Chan, during the Track Record Period:

	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 April	245	–	(30,569)	2,880
Fund transferred from				
Mr. Edmond Chan	(990)	(42,952)	(13,187)	–
Fund transferred to				
Mr. Edmond Chan	1,361	12,801	47,970	8
Expenses paid by Mr. Edmond Chan	(616)	(484)	(1,340)	–
Expense paid on behalf of				
Mr. Edmond Chan	–	66	6	–
Offsetting by dividend	–	–	–	(2,888)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Balance as at 31 March/31 July	<u>–</u>	<u>(30,569)</u>	<u>2,880</u>	<u>–</u>

During the year from 1 April 2013 to 31 March 2014, the movements of the amount due from Mr. Edmond Chan included (i) funds transferred from Mr. Edmond Chan of approximately HK\$1.0 million as the repayments to us; (ii) the funds transferred to Mr. Edmond Chan of approximately HK\$1.4 million as our advances to him for his personal use; and (iii) approximately HK\$0.6 million as expenses paid by Mr. Edmond Chan on behalf of us which primarily included site expenses.

During the year from 1 April 2014 to 31 March 2015, the movements of the amount due to Mr. Edmond Chan included (i) funds transferred from Mr. Edmond Chan of approximately HK\$43.0 million as the advances to us; (ii) the funds transferred to Mr. Edmond Chan of approximately HK\$12.8 million as our repayments to him; (iii) approximately HK\$0.5 million as expenses paid by Mr. Edmond Chan on behalf of us which primarily included site expenses; and (iv) approximately HK\$66,000 as expenses paid by us on behalf of Mr. Edmond Chan.

During the year from 1 April 2015 to 31 March 2016, the movements of the amount due from Mr. Edmond Chan included (i) funds transferred from Mr. Edmond Chan of approximately HK\$13.2 million as the advances to us; (ii) the funds transferred to Mr. Edmond Chan of approximately HK\$48.0 million as our repayments to him; and (iii) approximately HK\$1.3 million as expenses paid by Mr. Edmond Chan on behalf of us which primarily included site expenses.

During the period from 1 April 2016 to 31 July 2016, the movements of the amount due from Mr. Edmond Chan included (i) fund transferred to Mr. Edmond Chan of HK\$8,100; and (ii) offsetting the amount due from Mr. Edmond Chan of approximately HK\$2.9 million by the dividend declared in June 2016.

All the outstanding amounts due from Mr. Edmond Chan has been fully settled in May 2016.

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Amounts due from Ms. Amanda Chan

The following table sets forth the movements of amount due from our Director, Ms. Amanda Chan, during the Track Record Period:

	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Balance as at 1 April	1,293	1,033	–	–
Fund transferred from Ms. Amanda Chan	<u>(260)</u>	<u>(1,033)</u>	<u>–</u>	<u>–</u>
Balance as at 31 March/31 July	<u><u>1,033</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

During the year from 1 April 2013 to 31 March 2014, the movements of the amount due from Ms. Amanda Chan included the funds transferred from Ms. Amanda Chan of approximately HK\$0.3 million as the repayments to us.

During the year from 1 April 2014 to 31 March 2015, the movements of the amount due from Ms. Amanda Chan included the funds transferred from Ms. Amanda Chan of approximately HK\$1.0 million as the repayments to us.

All the outstanding amounts due from Ms. Amanda Chan has been fully settled during the year ended 31 March 2015.

Amounts due from Mr. Simon Chan

The following table sets forth the movements of amount due from our Director, Mr. Simon Chan, during the Track Record Period:

	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Balance as at 1 April	857	6,264	16,408	6,945
Fund transferred from Mr. Simon Chan	(467)	(1,236)	(66,688)	(121)
Fund transferred to Mr. Simon Chan	5,381	29,768	57,205	22
Amount settled by Mr. Simon Chan to Well Vantage Development Limited on behalf of our Group	–	(19,045)	–	–
Expenses paid by Mr. Simon Chan	(271)	(234)	(905)	–
Expenses paid on behalf of Mr. Simon Chan	764	891	925	149
Reallocation to Mr. Gary Chan	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,995)</u>
Balance as at 31 March/31 July	<u><u>6,264</u></u>	<u><u>16,408</u></u>	<u><u>6,945</u></u>	<u><u>–</u></u>

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During the year from 1 April 2013 to 31 March 2014, the movements of the amount due from Mr. Simon Chan included (i) funds transferred from Mr. Simon Chan of approximately HK\$0.5 million as the repayments to us; (ii) the funds transferred to Mr. Simon Chan of approximately HK\$5.4 million as our advances to him for his personal use; (iii) approximately HK\$0.3 million as expenses paid by Mr. Simon Chan on behalf of us; and (iv) approximately HK\$0.8 million as expenses paid by us on behalf of Mr. Simon Chan which primarily included rates, management and utilities expenses.

During the year from 1 April 2014 to 31 March 2015, the movements of the amount due to Mr. Simon Chan included (i) funds transferred from Mr. Simon Chan of approximately HK\$1.2 million as the repayments to us; (ii) the funds transferred to Mr. Simon Chan of approximately HK\$29.8 million as our advances to him for his personal use; (iii) amount settled by Mr. Simon Chan to Well Vantage Development Limited on behalf of our Group of approximately HK\$19.0 million; (iv) approximately HK\$0.2 million as expenses paid by Mr. Simon Chan on behalf of us; and (v) approximately HK\$0.9 million as expenses paid by us on behalf of Mr. Simon Chan which primarily included rates, management and utilities expenses.

During the year from 1 April 2015 to 31 March 2016, the movements of the amount due from Mr. Simon Chan included (i) funds transferred from Mr. Simon Chan of approximately HK\$66.7 million as the repayments to us; (ii) funds transferred to Mr. Simon Chan of approximately HK\$57.2 million as our advances to him for his personal use; (iii) approximately HK\$0.9 million as expenses paid by Mr. Simon Chan on behalf of us; and (iv) approximately HK\$0.9 million as expenses paid by us on behalf of Mr. Simon Chan which primarily included rates, management and utilities expenses.

During the period from 1 April 2016 to 31 July 2016, the movements of the amount due from Mr. Simon Chan included (i) fund transferred from Mr. Simon Chan of approximately HK\$0.1 million; (ii) fund transferred to Mr. Simon Chan of approximately HK\$22,000; (iii) expenses paid on behalf of Mr. Simon Chan of approximately HK\$0.1 million; and (iv) reallocation of the amount due from Mr. Simon Chan to Mr. Gary Chan of approximately HK\$7.0 million.

Our Directors confirm that none of the advances to Mr. Simon Chan during the Track Record Period included any proceeds for our Group's services collected on our Group's behalf.

All the outstanding amounts due from Mr. Simon Chan has been fully settled in May 2016.

AMOUNTS DUE FROM/TO RELATED PARTIES

The amounts due from our related party as at 31 March 2014, 2015 and 2016 are set out below:

	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>
Unity Grand Limited	12,794	12,058	–	–

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The abovementioned amounts are non-trade in nature, unsecured, interest-free and repayable on demand. During FY2016, the abovementioned related parties had settled the outstanding amounts due to us in full.

The following table sets forth the movements of amount due from our related company, Unity Grand Limited, during the Track Record Period:

	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 April	13,490	12,794	12,058	–
Fund transferred from Unity Grand	(899)	(809)	(12,358)	–
Fund transferred to Unity Grand	–	–	300	–
Expenses paid on behalf of Unity Grand Limited	<u>203</u>	<u>73</u>	<u>–</u>	<u>–</u>
Balance as at 31 March/31 July	<u><u>12,794</u></u>	<u><u>12,058</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

During the year from 1 April 2013 to 31 March 2014, the movements of the amount due from Unity Grand Limited included (i) funds transferred from Unity Grand Limited of approximately HK\$0.9 million as the repayments to us; and (ii) approximately HK\$0.2 million as the expenses paid by us on behalf of Unity Grand Limited which related to the insurance fee and the payment of profit tax.

During the year from 1 April 2014 to 31 March 2015, the movements of the amount due from Unity Grand Limited included (i) funds transferred from Unity Grand Limited of approximately HK\$0.8 million as the repayments to us; and (ii) approximately HK\$73,000 as the expenses paid by us on behalf of Unity Grand Limited for its fire insurance fee and profit tax.

During the year from 1 April 2015 to 31 March 2016, the movements of the amount due from Unity Grand Limited included (i) funds transferred from Unity Grand Limited of approximately HK\$12.4 million as the repayments to us; and (ii) funds transferred to Unity Grand Limited of approximately HK\$0.3 million for the final settlement of our current account.

All the outstanding amounts due from Unity Grand Limited has been fully settled in FY2016.

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The amounts due to our related parties as at 31 March 2014, 2015 and 2016 and 31 July 2016 are set out below:

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Well Vantage Development Limited	28,894	–	–	–
Vanbo Design & Engineering Company	<u>10</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>28,904</u>	<u>–</u>	<u>–</u>	<u>–</u>

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand. During FY2015, we have settled the abovementioned related parties in full.

The following table sets forth the movements of amount due to our related company, Well Vantage Development Limited, during the Track Record Period:

	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April	5,142	(28,894)	–	–
Fund transferred from Well Vantage Development Limited	(44,652)	(43,671)	–	–
Fund transferred to Well Vantages Development Limited	10,615	53,517	–	–
Amount settled by Mr. Simon Chan to Well Vantage Development Limited on behalf of our Group	–	19,045	–	–
Expenses paid on behalf of Well Vantage Development Limited	<u>1</u>	<u>3</u>	<u>–</u>	<u>–</u>
Balance as at 31 March/31 July	<u>(28,894)</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the year from 1 April 2013 to 31 March 2014, the movements of the amount due to Well Vantage Development Limited included (i) funds transferred from Well Vantage Development Limited of approximately HK\$44.7 million as the advances to us; (ii) funds transferred to Well Vantage Development Limited of approximately HK\$10.6 million as our repayments; and (iii) approximately HK\$1,000 as the expenses paid by us on behalf of Well Vantage Development Limited.

During the year from 1 April 2014 to 31 March 2015, the movements of the amount due to Well Vantage Development Limited included (i) funds transferred from Well Vantage Development Limited of approximately HK\$43.7 million as the advances to us; (ii) funds transferred to Well Vantage Development Limited of approximately HK\$53.5 million as our repayments; (iii) approximately HK\$19.0 million as amount settled by Mr. Simon Chan to Well Vantage Development Limited on behalf of our Group; and (iv) approximately HK\$3,000 as the expenses paid by us on behalf of Well Vantage Development Limited.

FINANCIAL INFORMATION

All the outstanding amounts due to Well Vantage Development Limited has been fully settled in FY2015.

The following table sets forth the movements of amount due to our related company, Vanbo Design & Engineering Company, during the Track Record Period:

	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 April	–	(10)	–	–
Fund transferred from Vanbo Design & Engineering Company	589	495	–	–
Fund transferred to Vanbo Design & Engineering Company	(544)	(482)	–	–
Expenses paid on behalf of Vanbo Design & Engineering Company	<u>(55)</u>	<u>(3)</u>	<u>–</u>	<u>–</u>
Balance as at 31 March/31 July	<u><u>(10)</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

During the year from 1 April 2013 to 31 March 2014, the movements of the amount due to Vanbo Design & Engineering Company included (i) funds transferred from Vanbo Design & Engineering Company of approximately HK\$0.6 million as the repayments to us; (ii) funds transferred to Vanbo Design & Engineering Company of approximately HK\$0.5 million for the settlement of our project management fee in relation to our two pilling projects in Hong Kong to carry out area project management and supervision of site workers; and (iii) approximately HK\$55,000 as the expenses paid by us on behalf of Vanbo Design & Engineering Company.

During the year from 1 April 2014 to 31 March 2015, the movements of the amount due to Vanbo Design & Engineering Company included (i) funds transferred from Vanbo Design & Engineering Company of approximately HK\$0.5 million as the repayments to us; (ii) funds transferred to Vanbo Design & Engineering Company of approximately HK\$0.5 million for the settlement of our current account; and (iii) approximately HK\$3,000 as the expenses paid by us on behalf of Vanbo Design & Engineering Company.

All the outstanding amounts due to Vanbo Design & Engineering Company has been fully settled in FY2015. For details about the business of Vanbo Design & Engineering Company, please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus.

FINANCIAL INFORMATION

INDEBTEDNESS AND CONTINGENT LIABILITIES

As at 31 March 2014, 2015, 2016, 31 July 2016 and 31 August 2016, our Group had a total indebtedness of approximately HK\$54.1 million, HK\$42.8 million, HK\$10.1 million, HK\$47.9 million and HK\$49.9 million, respectively. The following table sets forth a summary of our Group indebtedness as at the dates indicated:

	As at 31 March			As at 31 July	As at 31 August
	2014	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>
Current liabilities					
Bank overdrafts	–	–	–	132	–
Dividend payables	–	–	–	40,000	40,000
Amount due to related parties	28,904	–	–	–	–
Amount due to a director	–	30,569	–	–	–
Bank Borrowings	1,597	595	4,794	4,491	3,015
Finance lease payables	<u>13,175</u>	<u>9,329</u>	<u>3,269</u>	<u>1,830</u>	<u>2,975</u>
	<u>43,676</u>	<u>40,493</u>	<u>8,063</u>	<u>46,453</u>	<u>45,990</u>
Non-current liabilities					
Finance lease payables	<u>10,415</u>	<u>2,266</u>	<u>2,003</u>	<u>1,410</u>	<u>3,861</u>
Total	<u><u>54,091</u></u>	<u><u>42,759</u></u>	<u><u>10,066</u></u>	<u><u>47,863</u></u>	<u><u>49,851</u></u>

BANK BORROWINGS AND BANK OVERDRAFTS

Our Group raises borrowings to fulfil working capital requirements. We expect to repay the borrowings through our internally generated funds and financing activities. The total outstanding bank borrowings and bank overdrafts as at 31 March 2014, 2015, 2016, 31 July 2016 and 31 August 2016 were approximately HK\$1.6 million, HK\$0.6 million, HK\$4.8 million, HK\$4.6 million and HK\$3.0 million, respectively. All bank borrowings are denominated in HK\$.

FINANCIAL INFORMATION

Set out below is the maturity profile of our bank borrowings and overdrafts as at the respective dates indicated and the effect of any repayment on demand clauses.

	As at 31 March			As at	As at
	2014	2015	2016	31 July	31 August
	HK\$'000	HK\$'000	HK\$'000	2016	2016
				HK\$'000	HK\$'000
					<i>(unaudited)</i>
Carrying amount repayable within one year or on demand <i>(Note)</i>	1,435	595	4,794	4,491	3,015
Carrying amount repayable later than one year and not later than two years or on demand <i>(Note)</i>	<u>162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>1,597</u></u>	<u><u>595</u></u>	<u><u>4,794</u></u>	<u><u>4,491</u></u>	<u><u>3,015</u></u>
Bank overdrafts	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>132</u></u>	<u><u>-</u></u>

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 March 2014, 2015, 2016, 31 July 2016 and 31 August 2016, our Group had bank borrowings and overdrafts with amounts of approximately HK\$1.6 million, HK\$0.6 million, HK\$4.8 million, HK\$4.6 million and HK\$3.0 million, respectively. The loans bear interests at market rates.

As at 31 March 2014, 2015, 2016 and 31 July 2016, our Group had secured bank loans carried interest at floating rate of 2.71% to 2.96%, 2.71% to 4.25%, 5%, and 3.5% per annum, respectively. Our bank overdrafts carried interest at Hong Kong dollar best lending rate plus 1% per annum as at 31 March 2014, 2015, 2016 and 31 July 2016.

The personal guarantees provided by our related party and our directors in respect of the bank term loans and overdrafts will be released and replaced by a corporate guarantee provided by our Company upon Listing.

Our Group's unutilised banking facilities as at 31 August 2016 amounted to approximately HK\$68.1 million.

FINANCIAL INFORMATION

FINANCE LEASES

During the Track Record Period, our Group acquired a number of its motor vehicles and machineries for business use by the way of finance lease arrangements mainly through banks. The carrying amounts of all finance lease liabilities are denominated in HK dollars. The following table sets out our obligations under finance leases repayable as at the respective dates indicated:

	As at 31 March			As at 31 July	As at 31 August
	2014	2015	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	13,175	9,329	3,269	1,830	2,975
Later than one year and not later than five years	<u>10,415</u>	<u>2,266</u>	<u>2,003</u>	<u>1,410</u>	<u>3,861</u>
	<u><u>23,590</u></u>	<u><u>11,595</u></u>	<u><u>5,272</u></u>	<u><u>3,240</u></u>	<u><u>6,836</u></u>

Typically, our Group becomes the owner of the plant and machineries and motor vehicles at the end of the relevant lease term upon payment of a nominal amount. These finance leases are classified as liabilities of our Group and the relevant machineries and motor vehicles are recorded as assets of our Group.

As at 31 March 2014, 2015, 2016 and 31 July 2016, the net book value of plant and machineries and motor vehicles of our Group under finance leases amounted to approximately HK\$36.7 million, HK\$27.5 million, HK\$18.7 million and HK\$16.5 million, respectively. The duration of the lease term of finance lease are usually 2-3 years.

CONTINGENT LIABILITIES

Except as disclosed in the paragraph headed “Bank borrowings and bank overdrafts” and “Finance leases” in this section, we do not have other material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities outstanding as at 31 August 2016, being the date of the indebtedness statement. Our Directors confirmed that as at the Latest Practicable Date, we have not raised material external debt financing and have no plans to do so in the near future.

Our Directors confirmed that we had neither experienced any difficulties in obtaining banking facilities or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period.

FINANCIAL INFORMATION

ANALYSIS OF KEY FINANCIAL RATIOS

Key Financial Ratios	Formulae	As at/for the year ended 31 March			As at/for the four months ended 31 July
		2014	2015	2016	2016
Net profit margin	Net profit/revenue x 100%	9.4%	7.8%	8.6%	11.1%
Return on assets	Net profit/total assets x 100%	18.8%	4.7%	15.5%	N/A (Note 2)
Return on equity	Net profit/total equity x 100%	31.6%	7.5%	21.1%	N/A (Note 2)
Gearing ratio	Total debt/total equity (Note 1)	39.1%	28.7%	5.3%	6.3%
Current ratio	Current assets/current liabilities	2.2 times	2.3 times	3.4 times	1.7 times
Quick ratio	(Current assets – inventories)/ current liabilities	2.2 times	2.3 times	3.4 times	1.7 times
Interest coverage	Profit before interest and tax/ finance costs	22.2 times	12.8 times	61.2 times	47.6 times

Notes:

- Total debt includes amounts due to related parties, amount due to a director, borrowings and finance lease payables.
- Calculation of return on assets and return on equity is on a full year basis.

Net profit margin

Our net profit margin increased from approximately 8.6% in FY2016 to approximately 11.1% for the four months ended 31 July 2016, primarily attributable to the increase in our gross margin as discussed above. Please refer to the paragraphs headed “Principal components of results of operations – Revenue” and “Principal components of results of operations – Gross profit and gross profit margin” in this section for information regarding the decrease in our revenue, and the decrease in our gross profit and gross profit margin.

Our net profit margin increased from approximately 7.8% in FY2015 to approximately 8.6% in FY2016, primarily attributable to (i) the increase in our revenue derived from several sizable projects in full swing or nearly completed in FY2016; and (ii) the increase in our gross margin as discussed above. Please refer to the paragraphs headed “Principal components of results of operations – Revenue” and “Principal components of results of operations – gross profit and gross profit margin” in this section for information regarding the increase in our revenue, and the increase in our gross profit and gross profit margin.

Our net profit margin decreased from approximately 9.4% in FY2014 to approximately 7.8% in FY2015, primarily attributable to (i) the decrease in our revenue as a result of several projects completed and new projects commenced in FY2015; and (ii) the decrease in our gross margin as discussed above. Please refer to the paragraphs headed “Principal components of results of operations – Revenue” and “Principal components of results of operations – Gross profit and gross profit margin” in this section for information regarding the decrease in our revenue, and the decrease in our gross profit and gross profit margin.

FINANCIAL INFORMATION

Return on assets

Our return on assets were approximately 18.8%, 4.7% and 15.5% in FY2014, FY2015 and FY2016, respectively. Our Group's return on total assets dropped significantly from 18.8% in FY2014 to approximately 4.7% in FY2015 primarily due to the decrease in the value of construction works contracts completed by our Group certified by our customers which in turn decreased our net profit from approximately HK\$43.7 million in FY2014 to approximately HK\$11.2 million in FY2015.

Our return on assets increased significantly from approximately 4.7% in FY2015 to 15.5% in FY2016, mainly because (i) our net profit increased significantly by HK\$28.8 million from approximately HK\$11.2 million in FY2015 to approximately HK\$40.0 million in FY2016; and (ii) our total assets increased from approximately HK\$238.3 million in FY2015 to approximately HK\$257.4 million in FY2016 as a result of increase in our trade and other receivables from the growth of our business operation.

Return on equity

Our return on equity was approximately 31.6%, 7.5% and 21.1% in FY2014, FY2015 and FY2016, respectively. Our return on equity decreased from approximately 31.6% in FY2014 to approximately 7.5% in FY2015 primarily due to the decrease in the value of construction works contracts completed by our Group certified by our customers. This in turn decreased our net profit by approximately HK\$32.6 million in FY2015. For FY2016, our return on equity increased from approximately 7.5% in FY2015 to approximately 21.1% in FY2016 as a result of the increase in the value of construction works contracts completed by our Group which in turn increased in our net profit by approximately HK\$28.8 million. Please refer to the paragraph headed "Period-to-period comparison of results of operations" for the reasons increase in our net profit during the Track Record Period.

Gearing ratio

Our gearing ratio as at 31 March 2014, 2015, 2016 and 31 July 2016 was approximately 39.1%, 28.7%, 5.3% and 6.3%, respectively. The decreasing trend of our gearing ratio during the Track Record Period was mainly due to our repayments of bank borrowings and our finance lease payable over the period while our net assets increased during the Track Record Period as a result of our profitable business.

Current ratio

Our current ratio increased from approximately 2.2 times as at 31 March 2014 to approximately 2.3 times as at 31 March 2015. Such increase was primarily due to the increase in our current assets as a result of increase in our amounts due from customers for contract work during FY2015, as well as our current liabilities increased proportionally less than the increase in our current assets as we repaid certain amounts of finance leases payable with the cash generated from our operation while increased in the amounts due to our director, Mr. Edmond Chan.

FINANCIAL INFORMATION

Our current ratio increased from approximately 2.3 times as at 31 March 2015 to approximately 3.4 times as at 31 March 2016. Our current assets increased as at 31 March 2016 compared to 31 March 2015, mainly due to our profitable operations, as well as decreased in our current liabilities as a result of we settled the amounts due to our director in full during FY2016 and repaid certain amounts of finance lease payable with the cash generated from our operation.

During the four months ended 31 July 2016, our current ratio decreased from approximately 3.4 time as at 31 March 2016 to approximately 1.7 times as at 31 July 2016. Such decrease was mainly attributable to the decrease in our current assets as a result of the full settlement of the amounts due from our Directors during the four months ended 31 July 2016.

Quick ratio

During the Track Record Period, we did not hold any inventory, accordingly, our quick ratio was the same as our current ratio.

Interest coverage

The interest coverage ratio of our Group during the Track Record Period was approximately 22.2 times, 12.8 times, 61.2 times and 47.6 time respectively. Our Group's profit before interest and tax has been decreased significantly from approximately HK\$50.1 million in FY2014 to approximately HK\$13.9 million in FY2015. Furthermore, our finance costs decreased from approximately HK\$2.4 million in FY2014 to approximately HK\$1.2 million in FY2015 as our Group has decreased our finance lease from approximately HK\$23.6 million as at 31 March 2014 to approximately HK\$11.6 million as at 31 March 2015 due to repayment of certain bank borrowings, as a result the interest coverage ratio of our Group was a decreasing trend during FY2015. During the FY2016, our interest coverage increased substantially to 61.2 times as a result of the carrying out of substantial amount of construction works of 17 projects with an aggregate contract sum of approximately HK\$663.3 million which gave rise to a growth of profit before interest and tax, while our finance costs decreased from approximately HK\$1.2 million in FY2015 to approximately HK\$0.8 million in FY2016. During the four months ended 31 July 2016, our finance cost has increased due to the imputed interest expenses on our retention payables and thus, the interest coverage ratio of our Group decreased to approximately 47.6 times.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to note 27 to the Accountant's Report set out in Appendix I to this prospectus.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 26 to the Accountant's Report set out in Appendix I to this prospectus, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favourable to our Group than terms available to independent third parties and were fair and reasonable and in the interests of our Shareholders as a whole.

FINANCIAL INFORMATION

DIVIDEND

For each of FY2014, FY2015 and FY2016, we did not declare any dividend to our Shareholders. Our Group declared and paid an interim dividend of HK\$40.0 million in May 2016, and declared further dividend of HK\$40.0 million in June 2016 which has been paid in October 2016. The distribution of the above interim and further dividends will lead to a decrease in our Group's net assets by approximately HK\$80.0 million. Part of the interim dividend amounting to HK\$19.8 million was settled by way of offsetting against the net outstanding amounts due from directors who are our the Controlling Shareholders, and the remaining interim dividend amounting to HK\$20.2 million was paid in cash on 31 May 2016 from our Group's internal resources. Our Directors confirm that the further dividend of HK\$40.0 million has been paid in cash from our Group's internal resources. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no guarantee that dividends will be paid in the future.

DISTRIBUTABLE RESERVES

As at 31 July 2016, our Company has no reserves available for distribution to our Shareholders. The Companies Law provides that share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and assuming the Offer Price of HK\$0.9 per Share, being the mid-point of the indicative Offer Price range, the total amount of Listing expenses and commissions in connection with the Share Offer is estimated to be approximately HK\$22.0 million of which approximately HK\$15.3 million will be borne by our Company and approximately HK\$6.7 million will be borne by the Selling Shareholder.

The portion of Listing expenses borne by the Selling Shareholder in connection with the Sale Shares of approximately HK\$2.5 million will be set-off against the Listing expenses of our Company. The portion of Listing expenses of approximately HK\$4.2 million reimbursed by the Selling Shareholder in its capacity of a Shareholder will be accounted for as capital contribution to our Company.

FINANCIAL INFORMATION

Of the aggregate Listing expenses of HK\$22.0 million, approximately HK\$5.7 million directly attributable to the issue of New Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$16.3 million, approximately HK\$2.5 million will be borne by the Selling Shareholder as stated above and approximately HK\$13.8 million will be charged to our profit or loss. Listing expenses of approximately HK\$9.0 million were charged to the profit or loss for the year ended 31 March 2016 and the four months ended 31 July 2016 and the remaining amount of approximately HK\$4.8 million will be charged to the profit or loss for the year ending 31 March 2017. Expenses in relation to the Listing are non-recurring in nature.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position, or prospects of our Group since 31 July 2016 (being the date to which the latest audited combined financial statements of our Group were made up).

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus for details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, save and except for the guarantees provided by the Controlling Shareholders on our Group’s facilities as disclosed in the section headed “Relationship with the Controlling Shareholders – Independence from Controlling Shareholders – Financial independence” in this prospectus, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “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 the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.9 per Share (being the mid-point of the indicative Offer Price range of HK\$0.8 to HK\$1.0), will be approximately HK\$88.1 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$62.0 million, representing approximately 70.4% of the net proceeds, will be used to purchase pile drivers, hydraulic hammers, crawler cranes and preboring rigs required for our foundation projects. To enhance our competitiveness among foundation contractors, we consider that it is imperative to upgrade our fleet of foundation machinery to strengthen our execution effectiveness and efficiency and replace aged machinery with reference to their operating condition and the cost effectiveness of such replacement. Pursuant to our accounting policies, depreciation of machinery and equipment is provided for using straight-line method over a period of 5-8 years. Certain of our machinery including pile drivers and crawler cranes are close to full depreciation. We therefore plan to purchase three pile drivers, three crawler cranes and three additional hydraulic hammers which are upgraded models. These upgraded models of machinery are expected to be more environmentally friendly with better operating efficiency and lower maintenance cost as compared to aged machinery. In particular, these new models include machinery which comply with the emission standard prescribed under Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation as well as machinery with proper QPME (Quality Powered Mechanical Equipment) label issued by the Environmental Protection Department which are expected to be notably quieter and more efficient than aged machinery. Our Directors believe that our customers expect a foundation contractor to keep upgrading its fleet of machinery with better efficiency and environmental-friendliness and our machinery upgrade will enhance our competitiveness among foundation contractors. Furthermore, we plan to purchase two preboring rigs, a type of new machinery for carrying a rotator together with down-the-hole hammer and drill bit to create hole and drill rock. We consider such machinery upgrade will enable us to increase our tender success rate, enhance our works efficiency and ultimately enhance our competitiveness. Each pile driver, crawler crane, hydraulic hammer and preboring rig cost is expected to cost not more than approximately HK\$8 million, HK\$4.2 million, HK\$5.3 million and HK\$4.2 million, respectively;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$18.0 million, representing approximately 20.4% of the net proceeds, will be earmarked to take out surety bonds issued by banks or authorised insurers in the amount of certain percentage of the contract sum in favour of our customers for contracts that we have tendered for and/or contracts that we plan to tender for the years ending 31 March 2019. Our Directors consider that if we are to expand our business and undertake more foundation projects, we must continue to enhance our available financial resources and strengthen our liquidity position to satisfy the surety bond requirement for projects that may potentially be awarded to us;
- approximately HK\$6.7 million, representing approximately 7.6% of the net proceeds, will be used for recruiting one project director and one project manager to enhance our project management capability and enhancing our internal training to our staff to improve their skills and their capabilities to support our future business growth; and
- approximately HK\$1.4 million or approximately 1.6% 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\$1.0 per Offer Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Share Offer will increase by approximately HK\$11.5 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.8 per Offer Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Share Offer will decrease by approximately HK\$11.5 million.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$21.6 million, assuming an Offer Price of HK\$0.9 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at the high-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will increase by approximately HK\$2.4 million. If the Offer Price is set at the low-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will decrease by approximately HK\$2.4 million. In the event the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds for the above purposes in the proportions stated above.

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 sum 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.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the Selling Shareholder will receive net proceeds of approximately HK\$38.3 million at the Offer Price of HK\$0.9 per Share (being the mid-point of the indicative Offer Price range of HK\$0.8 to HK\$1.0), after deduction of underwriting fees and commissions and estimated expenses payable by the Selling Shareholder in relation to the Share Offer. We will not receive any of the net proceeds of the Share Offer from the sale of Sale Shares by the Selling Shareholder.

REASONS FOR THE LISTING

- Our Directors consider achieving a listing status to be a crucial and critical way to compete with our Group's major competitors in the foundation industry, particularly in the area of public works projects. Simon & Sons, our key operating subsidiary, has been admitted by the Housing Authority as one of the nine piling contractors in the "percussive piling" category since 2000. It has also been admitted by WBDB as one of the 37 registered contractors as Specialist Contractors for Public Works under the category of land piling (Group II) since 1999 and such registration and qualification imposes no restriction in respect of contract value for the projects that can be undertaken by us. Our Group would have been in a position to tender for public works and Housing Authority's piling projects as main contractor. However, as of the Latest Practicable Date, (i) out of the nine piling contractors (including our Group) in the Housing Authority's list of piling contractors under the "percussive piling" category, six of them are currently listed on the Stock Exchange and one of them is currently listed on the stock exchange in London. Our Group is one of the two piling contractors without a listing status; and (ii) out of the 37 registered contractors under the category of land piling (Group II), 24 (or approximately 64.9%) of them are listed on the Stock Exchange or other stock exchanges in Europe. Our Directors believe that a public listing status, transparent financial disclosures and regulatory supervision are definite competitive advantage to which the Government authorities would give due weight in a competitive tendering process nowadays. During the Track Record Period and up to the Latest Practicable Date, our Group had a fairly good tender success rate ranging from approximately 17.6% to 45.0%. However, our Group had neither won a public works foundation project nor a Housing Authority's piling project as a main contractor during the Track Record Period and up to the Latest Practicable Date. Our Directors attribute this situation to our Group's lack of a listing status which could be a hindrance to our Group's success to tender for public works foundation projects or Housing Authority's piling projects as main contractor. Furthermore, in view of the Government's initiatives to increase public housing supply target of 280,000 units for the 10-year period from 2016 to 2026, our Directors believe that it is of critical and strategic importance to our Group to achieve a listing status in order to enhance our competitiveness to compete with the other seven listed construction contractors to tender for Housing Authority's piling projects. Our Directors consider the Listing would bring about the above intangible benefit which could justify the costs, the risks and uncertainties involved in a listing application.

FUTURE PLANS AND USE OF PROCEEDS

- Our Group's business is expected to be expanding in the near future that necessitates fund raising through the Share Offer. Our Directors envisage that there are considerable business opportunities and growth drivers which justify our Group's expansion plan to compete for more foundation projects. These business opportunities and drivers include the Government's policy to increase housing supply for residential and commercial use and the continuous large-scale infrastructure projects which will continue to fuel the growth of the foundation industry in the near future. Please refer to the section headed "Industry overview – Competitive landscape – Market growth drivers of the foundation industry in Hong Kong" in this prospectus for further details. Hence, the revenue of the foundation industry is forecasted to increase at a CAGR of about 6.4% from 2016 to 2020 due to the expected increase in demand for residential and commercial buildings as well as public infrastructure projects. Our expansion is in line with this industry trend. During the period between 1 April 2016 and the Latest Practicable Date, we have been awarded with 12 additional contracts with an aggregate amount of approximately HK\$372.6 million, already representing approximately 111.9% of the total contract sum of the new contracts awarded for the entire year ended 31 March 2016. This demonstrates our Group's growing momentum to expand our business to capture the emerging business opportunities since the second quarter of 2016. Specifically, our Group has submitted tender for six foundation projects with an aggregate tender sum of approximately HK\$487.6 million and has been shortlisted for tender queries with the potential customers. As at the Latest Practicable Date, out of the said six projects, we were awarded two projects with an aggregate tender sum of approximately HK\$52.1 million whereas the tender results of the other projects were yet to be known.

- Our Directors consider that the number of foundation projects our Group is able to undertake hinges on (a) the availability of our operational resources including foundation machinery and manpower resources; and (b) available working capital:
 - (a) Our Directors confirm that during the Track Record Period, our Group's machinery and equipment were substantially deployed to different construction sites to use for our projects, subject to routine repair and maintenance. Our Directors consider that it is of critical and strategic importance to purchase additional machinery for the following reasons:
 - (i) *Our Group requires additional machinery to cater for our projects on hand.*

Our Group's existing machinery fleet is not considered sufficient to catch up with our Group's momentum for business growth in view of the following:

- as at the Latest Practicable Date, our Group has 18 projects on hand covering different locations in Hong Kong;
- as at 31 July 2016, for the key types of machinery required for our foundation projects, our Group has only 16 crawler cranes, 18 pile drivers and 21 hydraulic hammers. Several types of machinery might be used in one single project; and

FUTURE PLANS AND USE OF PROCEEDS

- in view of the pressing need for additional machinery, (i) during the five months ended 31 August 2016, to meet our project need, we incurred rental expenses for an amount of approximately HK\$5 million for renting machinery including pile drivers, hydraulic hammers, crawler cranes and excavator from independent service provider for our piling project relating to Liantang/Heung Yuen Wai Boundary Control Point; and (ii) after the Track Record Period and up to the Latest Practicable Date, our Group has purchased a new hydraulic hammer amounting to Euro 518,000 which has been delivered in May this year.

The above shows that the machinery possessed by our Group cannot be regarded as abundant at this juncture. Our Group might even run out of machinery if the majority of the projects on hand require our Group's foundation works to take place on a single day or on overlapping schedule. Hence, it is imperative for our Group to have a fleet of machinery that is readily available to accommodate the works schedule required by the customers. 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) foundation work is considered to be preliminary work in a construction projects and (ii) any delay in foundation work could affect the timetable for the entire construction projects. Hence, it is necessary for our Group to purchase additional machinery to ensure our Group's machinery is readily available to meet our customers' requirement at all times.

- (ii) *Our Group is required to replace aged machinery in view of the potential customers' tendering conditions.*

According to the tendering conditions for public works, the average age of the piling machinery is one of the important criteria in tender assessment. A score will be calculated based on the average age of the piling machinery i.e. a full score will be given to machinery with average age of seven years or below, 2/3 of the full score will be given to machinery with average age of more than 7 years but not more than 14 years. 1/3 of the full score will be given to machinery with average age of more than 14 years but not more than 21 years. Machinery of 21 years or above will be given no score. In view of the above, our Directors consider that it is imperative to replace aged machinery in order achieve maximum score to enhance our Group's tender success rate.

FUTURE PLANS AND USE OF PROCEEDS

Furthermore, it is necessary for our Group to replace aged machinery with upgraded models which are expected to be more environmentally friendly with better operating efficiency and lower maintenance cost as compared to aged machinery. In particular, these new models include machinery which comply with the emission standard prescribed under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation as well as machinery with proper QPME (Quality Powered Mechanical Equipment) label issued by the Environmental Protection Department which are expected to be notably quieter and more efficient than aged machinery. Our Directors believe that the customers expect a foundation contractor to keep upgrading our fleet of machinery with better efficiency and environmental friendliness and machinery upgrade will enhance our Group's competitiveness and hence tender success rate for projects it plans to tender for.

- (iii) *Our Directors consider that it is not commercially feasible to rely on operating leases of machinery to cater for our business growth.*

The number of foundation machinery available for lease in the market is limited. Piling machinery are usually in the hands of competitors and there is no guarantee that our Group can lease such machinery on reasonable pricing and other commercially acceptable terms. 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 our works and thus improve the profitability of our Group.

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our rental income generated from the lease of machinery amounted to approximately HK\$6.4 million, HK\$7.1 million, HK\$2.5 million and HK\$0.2 million, representing approximately 1.4%, 5.0%, 0.5% and 0.2% of our total revenue, respectively. The cost incurred by our Group to rent machinery amounted to approximately HK\$1.9 million, HK\$2.4 million, HK\$0.9 million and HK\$79,000, respectively, for the three years ended 31 March 2016 and the four months ended 31 July 2016.

For the year ended 31 March 2014, we focused on Macau projects where we derived approximately 68.2% of our revenue. Therefore, there were relatively more machinery that were left idle in Hong Kong and hence available for leasing to third party foundation contractors. For the year ended 31 March 2015, our revenue decreased significantly as a result of completion of our major projects and delay in commencement of piling works from March 2015 to September 2015 for our sizeable Liantang/Heung Yuen Wai Boundary Control Point foundation project, namely Project 23, as a result of the rejection to increase the approved project estimate by HK\$8,719.9 million from HK\$16,235.2 million to HK\$24,973.1 million in money-of-the-day prices by the Legislative Council of Hong Kong in the public works subcommittee of finance committee meeting on 9 January 2015. Under such circumstances, there were relatively more machinery that were not required for our foundation projects at that time. To increase utilisation of our machinery that were left idle at that time, we pursued more opportunities of machinery leasing and therefore, our revenue from machinery

FUTURE PLANS AND USE OF PROCEEDS

leasing increased to approximately HK\$7.1 million for the year ended 31 March 2015. For the year ended 31 March 2016, our revenue increased by approximately 224.5% from approximately HK\$143.1 million for the year ended 31 March 2015 to approximately HK\$464.3 million for the year ended 31 March 2016 because of, among other things, an increase in number of our foundation projects that commenced and were in full swing for the year ended 31 March 2016. As such, more machinery were required for our projects and fewer machinery were available for leasing and our rental income from machinery leasing therefore decreased by approximately 64.7%. Subsequently, during the period between 1 April 2016 and the Latest Practicable Date, our momentum of business growth continued as we were awarded with 12 additional contracts with an aggregate amount of approximately HK\$372.6 million, already representing approximately 111.9% of the total contract sum of the new contracts awarded for the entire year ended 31 March 2016. During the period between 1 April 2016 and 31 August 2016, our revenue from machinery leasing (which principally involved leasing of machinery of ancillary nature such as air compressors and air receivers) only amounted to approximately HK\$208,000 and our Directors confirm that there has been no further machinery leasing arrangement since August 2016. Substantially all of our machinery have been deployed for our ongoing projects and newly awarded contracts.

(iv) *Our Directors believe that it is not in the interest of our Company and our Shareholders to finance our purchase of additional machinery and equipment through finance leases for the following reasons:*

- Our Company estimates that the interest expenses from finance leases on normal commercial terms will amount to approximately HK\$0.2 million, HK\$1.4 million and HK\$1.9 million, respectively, for the three years ending 31 March 2019. 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 construction industry leading to imposition of additional requirement in addition to regular repayment of interest and principal to our Group regardless of the performance of the business of our Group.
- Finance lease usually involves provision of personal guarantee to be given by our Controlling Shareholder and Director to secure our Group's payment obligations thereunder. In particular, our Company was informed by one of our principal bankers that if our Company is not listed, any finance lease will be granted only on the condition, among other things, that the personal guarantee given by Mr. Simon Chan (our honorary chairman and non-executive Director (aged 83) who is not a shareholder of our Company) would be necessary as security for the finance lease to be granted by the said principal banker. Our Directors consider that it would not be in the interest of our Group to finance the purchase of machinery and equipment by relying on finance lease on the terms that involve personal guarantee or any collateral provided by the Controlling Shareholders and their associates for the following reasons:

FUTURE PLANS AND USE OF PROCEEDS

- (i) it is our long-term strategy to minimise connected transactions and related party transactions in order to carry out our business independently from our Controlling Shareholders, Directors and their associates;
- (ii) continuous reliance on our Controlling Shareholders, Directors and their associates for provision of personal guarantee and other form of financial assistance is a hindrance to our Group in achieving financial independence; and
- (iii) our Directors take the view that continuous guarantee to be provided by Mr. Simon Chan (our honorary chairman and non-executive Director) as required by a principal bank is too burdensome to Mr. Simon Chan considering his advanced age and the fact that he did not participate in the day-to-day management of our Group's business operations.

In view of the above, our Directors believe that our Group's business growth could be impeded if the number and quality of machinery and equipment does not catch up with our Group's business growth. Hence, it is of utmost importance for our Group to utilise the proceeds from the Share Offer to purchase additional machinery at this critical stage of our Group's business development. As such, our Directors believe that our Group has immediate needs to raise funds to purchase three pile drivers, three crawler cranes and three additional hydraulic hammers and two preboring rigs and recruit one project director and one project manager to compete for more foundation projects in the future.

- (b) As regards working capital, for construction projects in Hong Kong, it is not uncommon for contractors at the tender stage to be required to arrange with banks to take out surety bond in favour of the potential customer as a tender condition. In July 2016, our Group has arranged for a demand bond in the amount of HK\$12.5 million from a bank in favour of the potential customer as a condition to the first tender submission mentioned in paragraph (b) above. Our Group may be required to arrange for similar surety bonds at the tender stage for other potential projects. The surety bond requirement may result in the lock-up of a portion of our Group's capital during the term of the surety bond and thereby affecting our liquidity position. The Listing will provide sufficient financial resources to satisfy our Group's liquidity position and meet the surety bond requirement and other working capital requirements for the projects and our Directors consider that it is not feasible to finance our Group's working capital requirement entirely by way of debt financing.
- During the Track Record Period, our Group had no significant bank borrowings and material external financing with a low gearing ratio of approximately 6.3% as at 31 July 2016. Our Directors genuinely believe that it is necessary to (i) maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth in the long run; and (ii) maintain a cash level sufficient to support our Group's existing operations. In view of our Group's significant cash outflow exposure, including payment to suppliers, subcontractors, staff costs and payment for surety bonds, our Directors believe our Group does not have sufficient internal generated funds to finance our expansion

FUTURE PLANS AND USE OF PROCEEDS

plan while maintaining sufficient working capital for our Group's operations. Our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the Share Offer for the purpose of our business expansion as opposed to a debt financing in view of the increasing borrowing costs of debt financing.

- It would be difficult for our Group to obtain finance leases and/or bank borrowings without guarantees to be provided by the Controlling Shareholders if our Group is not listed. Our Directors consider that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings without guarantees or other collateral to be provided by the Controlling Shareholders. It is anticipated that additional bank borrowings to our Group would require the Controlling Shareholders to provide additional guarantees and/or fixed assets as collateral if our Company were not listed. This is supported by the fact that the lending bank was willing to release the guarantees provided by the Controlling Shareholders, subject to, among other things, our Company being successfully listed on the Stock Exchange. Further, as a foundation subcontractor does not usually have a large amount of fixed assets as collateral, our Directors consider that it would not be easy for our Group to get the required banking facilities at a competitively good rate without providing fixed assets as collateral or personal guarantees from the Controlling Shareholders.
- 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 a long-term listing status would outweigh the costs in relation to the Listing as it enhance our Group's competitiveness to compete with other listed contractors as disclosed above and provides access to capital market for future secondary fund raising opportunities via interest-saving equity issuance through our listed entity as opposed to obtaining interest-bearing banking facilities and finance leases from financial institutions had it not been listed.
- The Listing will provide a fund-raising platform for our Company, thereby enabling us to raise the capital required to finance our future growth and expansion without reliance on our Controlling Shareholders to do so. Such platform would allow our Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximum Shareholder return.
- The Listing will enhance the liquidity of the Shares by achieving the listing status of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares that are privately held before the Listing. The Listing may also offer our Company a broader shareholder base which could lead to a more liquid market in the trading of the Shares.

UNDERWRITING

THE UNDERWRITERS

Sole Bookrunner

C.P. Securities International Limited

Joint Lead Managers

C.P. Securities International Limited

Dakin Securities Limited

Public Offer Underwriters

C.P. Securities International Limited

Dakin Securities Limited

Placing Underwriters

C.P. Securities International Limited

Dakin Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

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Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right by notice in writing to our Company (for ourselves and on behalf of the Selling Shareholder) to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

1. there comes to the notice of the Sole Bookrunner:
 - (a) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Sole Bookrunner, to be material in the context of the Public Offer; or
 - (b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Sole Bookrunner, to be material in the context of the Public Offer; or
 - (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Sole Bookrunner to be material in the context of the Public Offer; or
 - (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Sole Bookrunner, a material omission in the context of the Public Offer; or
 - (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of the executive Directors and our Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
 - (f) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Sole Bookrunner, is material;

UNDERWRITING

2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or
 - (b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
 - (c) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
 - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
 - (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or
 - (f) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
 - (g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong or the PRC; or
 - (h) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
 - (i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

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which, in the reasonable opinion of the Sole Bookrunner acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Share Offer (including the exercise of the Over-allotment Option), the Capitalisation Issue and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholder) and the Stock Borrowing Agreement, it/he/she shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owners; or

UNDERWRITING

- (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, the Controlling Shareholders would cease to be controlling shareholders (as defined in the Listing Rules) on a collective basis.

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) when it/he/she pledges or charges any Shares beneficially owned by it/him/her in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings Pursuant to the Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Sole Bookrunner, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the Over-allotment Option), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, our Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules, during the six months immediately following the Listing Date (the “**First Six-month Period**”):

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, our Company and the Public Offer Underwriters that during the First Six-month Period, it or he or she shall not, and shall procure that the relevant registered holder(s) and it/his/her associates and companies controlled by it/he/she and any nominee or trustee holding in trust for it/him/her shall not, without the prior written consent of the Sole Bookrunner unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or

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- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

Each of our Controlling Shareholders has also jointly and severally undertaken to the Sole Bookrunner, the Joint Lead Managers, our Company and the Public Offer Underwriters that it/he/she shall not, and shall procure that the relevant registered holder(s) and it/his/her associates or companies controlled by it/him/her and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Sole Bookrunner unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme and unless in compliance with the Listing Rules, at any time during the Second Six-month Period, dispose of, or enter into any of the transaction in paragraphs (i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, transfer, he/she/it will cease to be a controlling shareholder (as defined in the Listing Rules) or would together with the other Controlling Shareholders cease to be/or regarded as controlling shareholders (as defined in the Listing Rules) on a collective basis.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, our Company and the Public Offer Underwriters that within the first twelve months from the Listing Date, it/he/she will:

- (i) when it/he/she pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, immediately inform our Company and the Sole Bookrunner in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Bookrunner in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

UNDERWRITING

The Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting arrangements and expenses – Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by him/her/it in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph “Underwriting arrangements and expenses – Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Commissions and expenses

The Underwriters will receive a gross underwriting commission at the rate of 3.0% of the aggregate Offer Price payable for the Offer Shares (including shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$22 million in aggregate (based on an Offer Price of HK\$0.9 per Share, being the mid-point of the indicative Offer Price range of HK\$0.8 and HK\$1.0 and the assumption that the Over-allotment Option is not exercised) and shall be borne by our Company and the Selling Shareholder in the proportion of 75% and 25%, respectively.

UNDERWRITERS’ INTERESTS IN OUR COMPANY

The Underwriters will receive an underwriting commission and/or praecipium. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Underwriting arrangements and expenses – Commissions and expenses” above.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

UNDERWRITING

INDEPENDENCE OF THE SOLE SPONSOR

Dakin Capital Limited, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Public Offer, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 16,500,000 Shares at the Offer Price, representing 10% of the 165,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer, assuming that the Over-allotment Option is not exercised. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the paragraph headed “Conditions of the Public Offer” in this section.

Conditions of the Public Offer

Acceptance of all applications for the Public Offer Shares in the Public Offer will be conditional on:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme) (which shall in any event not be later than the 30th day after the date of this prospectus;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the executive and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed on or around Wednesday, 9 November 2016 between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with its respective terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and the websites of the Stock Exchange at www.hkexnews.hk and us at www.simonandsons.com.hk on the next day following such lapse. In such situation, all application monies will be refunded, without interest, on the terms set out in the section headed “How to apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that: (i) the Share Offer has become unconditional; and (ii) neither of the Underwriting Agreements has been terminated in accordance with the terms therein.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 8,250,000 Public Offer Shares and Pool B will comprise 8,250,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 8,250,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 49,500,000, 66,000,000 and 82,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deem appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

If the Public Offer Shares are not fully subscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing. In addition, the Sole Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner.

Applications

The Sole Bookrunner may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Bookrunner so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the Placing will be 148,500,000 Shares comprising 98,500,000 New Shares and 50,000,000 Sale Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

Allocation of the Offer Shares pursuant to the Placing will be determined by the Sole Bookrunner and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Offer Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) the Over-allotment Option, exercisable by the Sole Bookrunner at any time from the date of this prospectus to the 30th day from the last day for lodging applications under the Share Offer to cover, amongst others, over-allocations in the Placing. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 24,750,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price.

If the Over-allotment Option is exercised in full, the additional 24,750,000 Shares will represent approximately 3.75% of our Company's enlarged share capital respectively immediately after completion of the Share Offer and the exercise in full of the Over-allotment Option.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Sole Bookrunner, as stabilising manager or its authorised agents, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Stabilising Manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager or its authorised agents and may be discontinued at any time. The number of Shares that may be overallocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 24,750,000 Shares, which is 15% of the number of Shares initially available under the Share Offer.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or its authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Manager or its authorised agents will maintain the long position is at the discretion of the Stabilising Manager or its authorised agents and is uncertain. In the event that the Stabilising Manager or its authorised agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising activity by the Stabilising Manager or its authorised agents is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day from the last day for lodging applications under the Share Offer. The stabilising period is expected to end on Saturday, 3 December 2016.

Any stabilising activity taken by the Stabilising Manager or its authorised agents may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager or its authorised agents may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by investors.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In order to facilitate the settlement of over-allocations, the Stabilising Manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STOCK BORROWING AGREEMENT

The Stabilising Manager, as stabilising manager or its authorised agents may borrow up to 24,750,000 Shares from Creative Elite, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with.

PRICING AND ALLOCATION

Determining the Offer Price

The Placing Underwriters 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 Friday, 4 November 2016 and in any event on or before Wednesday, 9 November 2016, by agreement between the Sole Bookrunner (for itself 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\$1.0 per Share and is expected to be not less than HK\$0.8 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price Payable on Application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.0 for each Public Offer Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$3,030.23 for each board lot of 3,000 Shares. If the Offer Price is less than HK\$1.0, 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 ourselves and on behalf of the Selling Shareholder) and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, 9 November 2016, the Share Offer will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Sole Bookrunner (for itself 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 The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.simonandsons.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 Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves 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 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 Sole Bookrunner (for itself 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In the event of a reduction in the number of Offer Shares, the Sole Bookrunner may, at its 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 Bookrunner.

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 Thursday, 10 November 2016 and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.simonandsons.com.hk).

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) 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.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 11 November 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 11 November 2016. The Shares will be traded in board lots of 3,000 Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the HK eIPO White Form Service Provider at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- (i) are 18 years of age or older;
- (ii) have a Hong Kong address;
- (iii) are outside the US and not a US person (within the meaning of Regulation S); and
- (iv) are not a legal or natural person of the PRC.

If you apply online through the HK eIPO White Form service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- (i) an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- (ii) a Director or chief executive officer of our Company and/or any of its subsidiaries;
- (iii) a close associate (as defined in the Listing Rules) of any of the above;
- (iv) a core 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; and
- (v) have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours between 9:00 a.m. on Monday, 31 October 2016 until 12:00 noon, Thursday, 3 November 2016 from:

- (i) the following offices of the Joint Lead Managers:

C.P. Securities International Limited

Room 2707, 27/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dakin Securities Limited

Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(ii) the following office of the Sole Sponsor:

Dakin Capital Limited
Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

(iii) any of the following branches of The Bank of East Asia, Limited:

District	Branch Name	Address
Hong Kong Island	Hennessy Road Branch	G/F, Eastern Commercial Centre, 395-399 Hennessy Road, Wanchai
	Shaukiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road, Shau Kei Wan
Kowloon	Mongkok Branch	638-640 Nathan Road, Mongkok
	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road, Tsim Sha Tsui
New Territories	Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza, Tai Po
	Shatin Plaza Branch	Shop 3-4, Level 1, Shatin Plaza, Shatin

You can collect a YELLOW Application Form and a prospectus during normal business hours from 9:00 a.m., Monday, 31 October 2016 until 12:00 noon, Thursday, 3 November 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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 The Bank of East Asia (Nominees) Limited – Sheung Yue 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:

9:00 a.m. to 5:00 p.m., Monday, 31 October 2016

9:00 a.m. to 5:00 p.m., Tuesday, 1 November 2016

9:00 a.m. to 5:00 p.m., Wednesday, 2 November 2016

9:00 a.m. to 12:00 noon, Thursday, 3 November 2016

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 November 2016, the last application day or such later time as described in “10. Effect of bad weather on the opening of the applications lists” below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the HK eIPO White Form service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or its agents or nominees), as agent 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;
- (b) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) 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;
- (d) 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;
- (e) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, 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 in this prospectus (and any supplement to it);
- (g) 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;
- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, 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;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the US (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) 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-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 fulfilled the criteria mentioned in the paragraph headed "14. Dispatch/collection of share certificates and refund monies – Personal collection" in this section to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) 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;
- (q) understand that our Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (s) (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 THE 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 to the HK eIPO White Form Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m., Monday, 31 October 2016 until 11:30 a.m., Thursday, 3 November 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Thursday, 3 November 2016 or such later time under the “10. Effect of bad weather on the opening of the applications lists” in this section.

No Multiple Applications

If you apply by means of HK eIPO White Form, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the HK eIPO White Form service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under HK eIPO White Form more than once and obtaining different 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 service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

- (a) 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;
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) 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;
 - (ii) agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (iv) (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;
 - (v) (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;
 - (vi) confirm that you understand that our Company, the Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - (vii) 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;
 - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ix) 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;
- (x) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents;
- (xii) 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;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company 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;
- (xiv) 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;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (i) 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;
- (ii) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- (iii) 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 3,000 Public Offer Shares. Instructions for more than 3,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

9:00 a.m. to 8:30 p.m.¹, Monday, 31 October 2016

8:00 a.m. to 8:30 p.m.¹, Tuesday, 1 November 2016

8:00 a.m. to 8:30 p.m.¹, Wednesday, 2 November 2016

8:00 a.m.¹ to 12:00 noon, Thursday, 3 November 2016

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 31 October 2016 until 12:00 noon on Thursday, 3 November 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 3 November 2016, the last application day or such later time as described in “10. Effect of bad weather on the opening of the application lists” below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of 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 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the HK eIPO White Form service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the HK eIPO White Form service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 3 November 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- (i) an account number; or
- (ii) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through HK eIPO White Form service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If an application is made by an unlisted company and:

- (i) the principal business of that company is dealing in securities; and
- (ii) 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:

- (i) control the composition of the board of directors of the company;
- (ii) control more than half of the voting power of the company; or
- (iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The WHITE and YELLOW Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a WHITE or YELLOW Application Form or through the HK eIPO White Form service in respect of a minimum of 3,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 3,000 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).

Please see “Structure and conditions of the Share Offer – Pricing and allocation” for further details regarding the Offer Price.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (i) a tropical cyclone warning signal number 8 or above; or
- (ii) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 November 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 November 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 10 November 2016 on our Company’s website at www.simonandsons.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:

- (i) in the announcement to be posted on our Company’s website at www.simonandsons.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 10 November 2016;
- (ii) 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 Thursday, 10 November 2016 to 12:00 midnight on Wednesday, 16 November 2016;
- (iii) by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 November 2016 to Tuesday, 15 November 2016 on a Business Day;
- (iv) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 November 2016 to Monday, 14 November 2016 at all the receiving bank designated branches and sub-branches.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to HK eIPO White Form Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, 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.

(c) 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:

- (i) within three weeks from the closing date of the application lists; or
- (ii) 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.

(d) If:

- (i) you make multiple applications or suspected multiple applications;
- (ii) 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;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your electronic application instructions through the HK eIPO White Form service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) our Company or the Sole Bookrunner believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
or
- (viii) your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price finally determined is less than the maximum offer price of HK\$1.0 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer – Conditions of the Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 10 November 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:

- (i) 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
- (ii) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 10 November 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Friday, 11 November 2016 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 November 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 authorized 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 or before Thursday, 10 November 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 10 November 2016, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Thursday, 10 November 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant). For Public Offer Shares credited to your designated CCASS participant’s stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.*
- *If you are applying as a CCASS investor participant*

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 November 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 November 2016, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 10 November 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- (i) If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 10 November 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “Publication of Results” above on Thursday, 10 November 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 November 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- (iii) 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.
- (iv) If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 10 November 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.
- (v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 November 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

31 October 2016

The Directors
Sheung Yue Group Holdings Limited
Dakin Capital Limited

Dear Sirs

We set out below our report on the financial information of Sheung Yue Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) which comprises the combined statements of financial position of the Group as at 31 March 2014, 2015 and 2016 and 31 July 2016 and the Company’s statements of financial position as at 31 March 2016 and 31 July 2016, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes (the “Financial Information”), together with the comparative financial information of the Group including the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Group for the four months ended 31 July 2015 (the “Comparative Financial Information”) prepared on the basis of presentation set out in Note 1 of Section II below, for inclusion in the prospectus of the Company dated 31 October 2016 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 23 March 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the group reorganisation completed on 7 October 2016 (the “Reorganisation”) as detailed in Note 1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried out any business since the date of its incorporation, except for the aforementioned Reorganisation. The Group is principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau.

Other than Simon & Sons Engineering (Macau) Limited, all companies comprising the Group during the Relevant Periods have adopted 31 March as their financial year end date for statutory reporting purposes. As at the date of this report, the Company had direct or indirect interests in the subsidiaries as set out below, all of which are private entities. The details of the statutory auditors of these subsidiaries are also set out below.

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Notes
		Direct	Indirect			
Favourable Year Limited ("Favourable Year")	British Virgin Islands (the "BVI"), 3 March 2016, limited liability company	100%	–	US\$1 divided into 1 share of US\$1 each	Investment holding, Hong Kong	
Rainbow Republic Limited ("Rainbow Republic")	BVI, 16 December 2015, limited Liability company	–	100%	US\$1 divided into 1 share of US\$1 each	Investment holding, Hong Kong	
Simon & Sons Engineering Limited ("S&S Engineering")	Hong Kong, 31 October 1986, limited liability company	–	100%	HK\$10,000,000 divided into 100,000 shares of HK\$100 each	Foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, Hong Kong	(a)
Simon & Sons Engineering (Macau) Limited ("S&S Macau")	Macau, 19 April 2002, limited liability company	–	100%	MOP\$200,000 divided into 200,000 shares of MOP\$1 each	Foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, Macau	
Vanbo Engineering Limited ("Vanbo")	Hong Kong, 18 February 1993, limited liability company	–	100%	HK\$2 divided into 2 shares of HK\$1 each	Foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, Hong Kong	(b)
Good Idea Technology Limited ("Good Idea")	Hong Kong, 30 June 2006, limited liability company	–	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	Investment holding, Hong Kong	(b)
New Champion Development Limited ("New Champion")	Hong Kong, 3 June 2010, limited liability company	–	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	Investment holding, Hong Kong	(c)

- (a) The statutory financial statements for the years ended 31 March 2014 and 2015 were audited by C.F. Chu & Company, and those for the year ended 31 March 2016 were audited by Y.H. Yueh & Company.
- (b) The statutory financial statements for the years ended 31 March 2014, 2015 and 2016 were audited by Y.H. Yueh & Company.
- (c) The statutory financial statements for the years ended 31 March 2014, 2015, and 2016 were audited by CM & Company. On 7 May 2015, New Champion was put into the process of deregistration and the process is on progress up to the date of this report.

No audited financial statements have been prepared for the Company since its date of incorporation as it has not carried out any business, other than the Reorganisation as referred to above and there is no statutory requirement for it to prepare audited financial statements. No audited financial statements have been prepared for Favourable Year and Rainbow Republic since their respective dates of incorporation and no audited financial statements have been prepared for S&S Macau for the Relevant Periods as there is no statutory requirement for them to prepare audited financial statements.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”), in accordance with the basis of presentation set out in Note 1 of Section II below and the accounting policies set out in Note 2 of Section II below which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 were audited by us in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

Directors' responsibility

The directors of the Company are responsible for the contents of the Prospectus including the preparation and true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with the basis of presentation set out in Note 1 of Section II below and the accounting policies set out in Note 2 of Section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with HKSA's issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, prepared on the basis set out in Note 1 of Section II below and in accordance with the accounting policies in Note 2 of Section II below, the Financial Information gives a true and fair view of the financial position of the Company as at 31 March 2016 and 31 July 2016 and the combined financial position of the Group as at 31 March 2014, 2015 and 2016 and 31 July 2016 and of the combined financial performance and combined cash flows of the Group for each of the Relevant Periods.

Comparative Financial Information

For the purpose of this report, we have also reviewed the Comparative Financial Information, which has been prepared in accordance with the basis of presentation set out in Note 1 of Section II below and the accounting policies set out in Note 2 of Section II below, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors are responsible for the preparation and presentation of the Comparative Financial Information in accordance with basis of presentation set out in Note 1 of Section II below and the accounting policies set out in Note 2 of Section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with HKSA's and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

1. Combined Statements of Comprehensive Income

	Notes	Year ended 31 March			Four months ended 31 July	
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Revenue	5	464,099	143,082	464,303	121,447	116,789
Cost of services		<u>(387,049)</u>	<u>(121,223)</u>	<u>(390,666)</u>	<u>(102,918)</u>	<u>(94,928)</u>
Gross profit		77,050	21,859	73,637	18,529	21,861
Other income	5	7,291	8,791	3,062	1,907	5,033
Other gains and losses	5	374	677	(208)	(454)	(222)
Share of profit/(loss) of a joint venture		864	704	(975)	(969)	(3)
Administrative expenses		<u>(33,163)</u>	<u>(16,925)</u>	<u>(25,147)</u>	<u>(5,515)</u>	<u>(10,146)</u>
Operating profit	6	52,416	15,106	50,369	13,498	16,523
Finance costs	8	<u>(2,358)</u>	<u>(1,178)</u>	<u>(823)</u>	<u>(211)</u>	<u>(347)</u>
Profit before income tax expense		50,058	13,928	49,546	13,287	16,176
Income tax expense	10	<u>(6,325)</u>	<u>(2,746)</u>	<u>(9,595)</u>	<u>(2,649)</u>	<u>(3,245)</u>
Profit for the year/period		<u>43,733</u>	<u>11,182</u>	<u>39,951</u>	<u>10,638</u>	<u>12,931</u>
Items that may be reclassified subsequently to profit or loss						
Changes in fair value of investment in a life insurance policy		-	(431)	12	12	11
Exchange differences on translating a foreign operation		<u>17</u>	<u>184</u>	<u>(15)</u>	<u>(269)</u>	<u>225</u>
Other comprehensive income for the year/period, net of tax		<u>17</u>	<u>(247)</u>	<u>(3)</u>	<u>(257)</u>	<u>236</u>
Total comprehensive income for the year/period		<u>43,750</u>	<u>10,935</u>	<u>39,948</u>	<u>10,381</u>	<u>13,167</u>

2. Combined Statements of Financial Position

		As at 31 March			As at
	Notes	2014	2015	2016	31 July
		HK\$'000	HK\$'000	HK\$'000	2016
					HK\$'000
Non-current assets					
Property, plant and equipment	13	56,817	43,863	53,958	54,729
Interest in a joint venture	30	3,655	4,359	41	38
Investment in a life insurance policy	29	–	2,230	2,303	2,336
		<u>60,472</u>	<u>50,452</u>	<u>56,302</u>	<u>57,103</u>
Current assets					
Amounts due from customers for contract work	14	32,901	59,741	49,890	69,590
Trade and other receivables	15	44,642	34,400	64,663	42,076
Amounts due from related parties	16	12,794	12,058	–	–
Amounts due from directors	16	13,229	23,023	19,773	–
Fixed interest rate bond investment	17	2,480	–	–	–
Financial assets at fair value through profit or loss	18	4,213	2,689	–	–
Pledged bank deposits	19	8,760	11,463	14,007	14,007
Cash and cash equivalents	19	53,345	44,426	52,722	50,204
		<u>172,364</u>	<u>187,800</u>	<u>201,055</u>	<u>175,877</u>
Total assets		<u>232,836</u>	<u>238,252</u>	<u>257,357</u>	<u>232,980</u>
Current liabilities					
Bank overdrafts	19	–	–	–	132
Trade and other payables	20	30,076	35,256	43,818	45,213
Dividend payable	11	–	–	–	40,000
Amounts due to related parties	16	28,904	–	–	–
Amount due to a director	16	–	30,569	–	–
Borrowings	21	1,597	595	4,794	4,491
Finance lease payables	22	13,175	9,329	3,269	1,830
Current tax liabilities		5,206	5,842	7,371	10,567
		<u>78,958</u>	<u>81,591</u>	<u>59,252</u>	<u>102,233</u>
Net current assets		<u>93,406</u>	<u>106,209</u>	<u>141,803</u>	<u>73,644</u>
Total assets less current liabilities		<u>153,878</u>	<u>156,661</u>	<u>198,105</u>	<u>130,747</u>

APPENDIX I**ACCOUNTANT'S REPORT**

		As at 31 March			As at
	Notes	2014	2015	2016	31 July
		HK\$'000	HK\$'000	HK\$'000	2016
					HK\$'000
Non-current liabilities					
Finance lease payables	22	10,415	2,266	2,003	1,410
Deferred tax liabilities	23	<u>5,205</u>	<u>5,202</u>	<u>6,961</u>	<u>7,029</u>
		<u>15,620</u>	<u>7,468</u>	<u>8,964</u>	<u>8,439</u>
Total liabilities		<u>94,578</u>	<u>89,059</u>	<u>68,216</u>	<u>110,672</u>
NET ASSETS		<u>138,258</u>	<u>149,193</u>	<u>189,141</u>	<u>122,308</u>
Equity					
Share capital	24	10,010	10,010	10,010	10,010
Reserves	25	<u>128,248</u>	<u>139,183</u>	<u>179,131</u>	<u>112,298</u>
TOTAL EQUITY		<u>138,258</u>	<u>149,193</u>	<u>189,141</u>	<u>122,308</u>

3. Statements of Financial Position of the Company

		As at 31 March 2016 <i>HK\$'000</i>	As at 31 July 2016 <i>HK\$'000</i>
	<i>Notes</i>		
Current asset			
Amount due from a shareholder		_ ⁽¹⁾	_ ⁽¹⁾
		<u> </u>	<u> </u>
Current liability			
Amount due to a subsidiary		–	19
		<u> </u>	<u> </u>
NET CURRENT ASSETS/ (LIABILITIES) AND NET ASSETS/(LIABILITIES)		<u> </u> _ ⁽¹⁾	<u> </u> (19)
Equity			
Share capital	24	_ ⁽¹⁾	_ ⁽¹⁾
Reserve	25	–	(19)
		<u> </u>	<u> </u>
TOTAL EQUITY/(DEFICIENCY IN ASSETS)		<u> </u> _ ⁽¹⁾	<u> </u> (19)

⁽¹⁾ Represent amount of less than HK\$1,000.

⁽²⁾ As at 31 March 2016, other than share capital of HK\$0.01 and amount due from a shareholder of HK\$0.01, the Company had no assets or liabilities.

4. Combined Statements of Changes in Equity

	Share capital	Available- for-sale financial asset reserve	Foreign exchange reserve	Retained earnings	Total
	HK\$'000	Note 25(i) HK\$'000	Note 25(ii) HK\$'000	Note 25(iii) HK\$'000	HK\$'000
As at 1 April 2013	10,010	–	40	84,458	94,508
Profit for the year	–	–	–	43,733	43,733
Other comprehensive income for the year:					
Exchange difference on translating a foreign operation	–	–	17	–	17
Total comprehensive income for the year	–	–	17	43,733	43,750
As at 31 March 2014	10,010	–	57	128,191	138,258
Profit for the year	–	–	–	11,182	11,182
Other comprehensive income for the year:					
Changes in fair value of investment in a life insurance policy	–	(431)	–	–	(431)
Exchange difference on translating a foreign operation	–	–	184	–	184
Total comprehensive income for the year	–	(431)	184	11,182	10,935
As at 31 March 2015	10,010	(431)	241	139,373	149,193
Profit for the year	–	–	–	39,951	39,951
Other comprehensive income for the year:					
Changes in fair value of investment in a life insurance policy	–	12	–	–	12
Exchange difference on translating a foreign operation	–	–	(15)	–	(15)
Total comprehensive income for the year	–	12	(15)	39,951	39,948
As at 31 March 2016	10,010	(419)	226	179,324	189,141

	Share capital	Available- for-sale financial asset reserve	Foreign exchange reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>Note 25(i)</i> <i>HK\$'000</i>	<i>Note 25(ii)</i> <i>HK\$'000</i>	<i>Note 25(iii)</i> <i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2016	10,010	(419)	226	179,324	189,141
Profit for the period	-	-	-	12,931	12,931
Other comprehensive income for the period:					
Changes in fair value of investment in a life insurance policy	-	11	-	-	11
Exchange difference on translating a foreign operation	-	-	225	-	225
Total comprehensive income for the period	-	11	225	12,931	13,167
Dividends (<i>Note 11</i>)	-	-	-	(80,000)	(80,000)
As at 31 July 2016	<u>10,010</u>	<u>(408)</u>	<u>451</u>	<u>112,255</u>	<u>122,308</u>
(Unaudited)					
As at 1 April 2015	10,010	(431)	241	139,373	149,193
Profit for the period	-	-	-	10,638	10,638
Other comprehensive income for the period:					
Changes in fair value of investment in a life insurance policy	-	12	-	-	12
Exchange difference on translating a foreign operation	-	-	(269)	-	(269)
Total comprehensive income for the period	-	12	(269)	10,638	10,381
As at 31 July 2015	<u>10,010</u>	<u>(419)</u>	<u>(28)</u>	<u>150,011</u>	<u>159,574</u>

5. Combined Statements of Cash Flows

	Notes	Year ended 31 March			Four months ended 31 July	
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Cash flows from operating activities						
Profit before income tax expense		50,058	13,928	49,546	13,287	16,176
Adjustments for:						
Depreciation of property, plant and equipment	6	16,417	15,828	15,686	4,753	4,849
Finance costs	8	2,358	1,178	823	211	347
Interest income from amount due from a director	5	(7)	–	–	–	–
Imputed interest on retention receivables	5	(136)	(1,178)	(202)	(90)	(939)
Interest income from bank deposits	5	(39)	(117)	(126)	(18)	(2)
Interest income from fixed interest rate bond investment	5	(123)	(61)	–	–	–
Distributions from financial assets at fair value through profit or loss	5	(78)	(78)	(39)	(39)	–
Interest income from investment in a life insurance policy	5	–	(90)	(95)	(36)	(26)
(Gain)/loss on disposal of property, plant and equipment	5	(1,202)	(2)	(105)	–	9
Share of (profit)/loss of a joint venture		(864)	(704)	975	969	3
(Gain)/loss on disposal of financial assets at fair value through profit or loss	5	–	(1,012)	28	–	–
Fair value loss/(gain) on financial assets at fair value through profit or loss	5	388	(122)	–	–	–
Charges on investment in a life insurance policy		–	192	30	11	5
		66,772	27,762	66,521	19,048	20,422
(Increase)/decrease in trade and other receivables		(2,345)	11,420	(30,061)	(37,842)	23,526
Increase in trade and other payables		2,918	4,835	12,397	16,371	1,155
(Increase)/decrease in amounts due from customers for contract work		(13,957)	(26,840)	9,851	22,774	(19,700)
Decrease in amounts due to customers for contract work		(167)	–	–	–	–
Cash generated from operations		53,221	17,177	58,708	20,351	25,403
Income tax paid		(96)	(2,113)	(6,305)	–	–
Income tax refunded		299	–	–	–	–
Net cash generated from operating activities		53,424	15,064	52,403	20,351	25,403

Notes	Year ended 31 March			Four months ended 31 July	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Cash flows from investing activities					
Purchases of property, plant and equipment	(20,083)	(2,853)	(29,587)	(6,200)	(5,633)
Proceeds from disposal of property, plant and equipment	2,800	–	10	–	4
Proceed from sale of fixed interest rate bond investment	–	2,480	–	–	–
Proceeds from sale of financial assets at fair value through profit or loss	–	2,658	2,661	–	–
Premium paid for a life insurance policy	–	(2,763)	–	–	–
Increase in pledged bank deposits	(8,137)	(2,703)	(2,544)	–	–
Interest income from bank deposits	39	117	126	18	2
Interest income from fixed interest rate bond investment	123	61	–	–	–
Interest income received from amount due from a director	7	–	–	–	–
Decrease in amounts due from related parties	5,838	736	12,058	218	–
(Increase)/decrease in amounts due from directors	(3,635)	(9,794)	6,593	13,917	(58)
Distributions from financial assets at fair value through profit or loss	78	78	39	39	–
Net cash (used in)/generated from investing activities	<u>(22,970)</u>	<u>(11,983)</u>	<u>(10,644)</u>	<u>7,992</u>	<u>(5,685)</u>
Cash flows from financing activities					
Proceeds from borrowings	141,024	433	65,162	1,718	4,491
Repayment of bank borrowings	(160,414)	(1,435)	(60,963)	(2,313)	(4,794)
Increase/(decrease) in amounts due to related parties	28,904	(28,904)	–	–	–
Increase/(decrease) in amount due to a director	–	30,569	(30,569)	(5,041)	–
Advance from a related company	18,000	–	–	–	–
Repayment of loan from a related company	(18,000)	–	–	–	–
Proceeds from finance lease payables	16,928	1,401	3,808	3,808	–
Repayment of finance lease payables	(14,961)	(13,396)	(10,131)	(3,662)	(2,032)
Dividend paid	–	–	–	–	(20,169)
Interest paid	(2,333)	(852)	(757)	(187)	(107)
Net cash generated from/(used in) financing activities	<u>9,148</u>	<u>(12,184)</u>	<u>(33,450)</u>	<u>(5,677)</u>	<u>(22,611)</u>

Notes	Year ended 31 March			Four months ended	
	2014	2015	2016	31 July	
	HK\$'000	HK\$'000	HK\$'000	2015	2016
				(Unaudited)	
Net increase/(decrease)					
in cash and cash equivalents	39,602	(9,103)	8,309	22,666	(2,893)
Cash and cash equivalents					
at beginning of year/period	13,714	53,345	44,426	44,426	52,722
Effect of exchange rate changes					
on cash and cash equivalents	<u>29</u>	<u>184</u>	<u>(13)</u>	<u>(288)</u>	<u>243</u>
Cash and cash equivalents					
at end of year/period	<u>53,345</u>	<u>44,426</u>	<u>52,722</u>	<u>66,804</u>	<u>50,072</u>
Represented by:					
Cash and bank balances and					
short-term deposits	19	62,105	55,889	66,729	78,267
Less: Pledged bank deposits	19	(8,760)	(11,463)	(14,007)	(11,463)
Bank overdrafts		<u>-</u>	<u>-</u>	<u>-</u>	<u>(132)</u>
		<u>53,345</u>	<u>44,426</u>	<u>52,722</u>	<u>66,804</u>
		<u>50,072</u>	<u>50,072</u>	<u>50,072</u>	<u>50,072</u>

II. NOTES TO THE FINANCIAL INFORMATION**1. Corporate information and basis of presentation****(a) General information**

The Company was incorporated in the Cayman Islands on 23 March 2016, as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is at Units 103-105, 1st Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong. The Company is an investment holding company and its subsidiaries (together referred to as the “Group”) are principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau (the “Listing Business”).

In the opinion of the directors, the Listing Business was under common control of Mr. Chan Lap Wai, Gary (“Mr. Gary Chan”), Mr. Chan Lap Chuen, Edmond (“Mr. Edmond Chan”), Ms. Chan Chin Ying, Amanda (“Ms. Amanda Chan”) and Ms. Chan Chin Ling, Chrissy (“Ms. Chrissy Chan”) (together referred to as the “Controlling Shareholders”), who entered into a confirmatory deed on 6 June 2016 confirming that each of them has been acting in concert throughout the Relevant Periods.

In the opinion of the directors, the Company’s immediate and ultimate holding company is Creative Elite Global Limited, a company incorporated in the British Virgin Islands.

(b) Reorganisation

Pursuant to the Reorganisation as detailed in the section headed “History and Development” to the Prospectus, in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange (the “Listing”) and for the purposes of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group on 7 October 2016.

(c) *Basis of presentation*

The Reorganisation involved the combination of a number of entities engaged in the Listing Business that were under common control of the Controlling Shareholders. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the Controlling Shareholders that existed prior to the combination. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting, as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment of the entities now comprising the Group, whichever is the shorter period.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 have been prepared using the financial information of the companies engaged in the Listing Business under the common control of the Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders. The combined statements of financial position of the Group as at 31 March 2014, 2015 and 2016 and 31 July 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were combined using the carrying value from the perspective of the Controlling Shareholders. All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information is presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

2. Summary of significant accounting policies

Basis of preparation

The Financial Information set out in this report has been prepared in accordance with the below accounting policies, which conform with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

Application of new and revised HKFRSs

For the purpose of preparing the Financial Information, the Group has adopted all HKFRSs that are effective for the accounting period beginning on 1 April 2016 consistently throughout the Relevant Periods. As at the date of this report, the HKICPA has issued the following new and revised HKFRSs, potentially relevant to the Group's operations, that are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 7 HKFRS 9 (2014)	Disclosure Initiative ¹ Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Disclosure Initiative

The amendments to HKAS 7 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments will only affect financial statement disclosures and will not have any impact on the financial position or performance of the Group.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that the application of HKFRS 9 may have a material impact on the Group's financial performance and financial position, including the classification categories and the measurement of financial assets, and disclosures. In particular, the new impairment requirements may result in earlier recognition of credit losses of the Group's trade and other receivables. The expected credit loss model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking. The directors of the Company are in the process of assessing the quantitative effect of these requirements, and accordingly it is not practicable to provide a reasonable estimate of the quantitative effect of HKFRS 9 until the assessment has been completed.

HKFRS 15 – Revenue from Contracts with Customers

Amendments to HKFRS 15 – Clarifications to HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company preliminarily assess that the application of HKFRS 15 may have a significant impact on the Group's financial performance and financial position, as compared with the current accounting policy as follows:

1. The criteria in HKFRS 15 for identifying performance obligations differ from the little guidance in HKAS 11, which could result in different conclusions about the separately identifiable components. For example, the Group may currently consider an entire construction contract to be a single component, but under HKFRS 15, it may determine that the contract contains two or more performance obligations that would be accounted for separately. This may have a significant effect on the pattern of revenue and profit recognition.

2. It is common for the scope and/or price of the Group's construction contracts to be modified, due to changes in the scope of work or because additional services are added to the contracts. Under HKFRS 15, an entity must determine whether such modification creates a new contract or whether it will be accounted for as part of the existing contract. The determination of a new and separate contract is driven by whether the modification results in the addition of distinct services, priced at their stand-alone selling prices. These new requirements may result in significant changes to the pattern of revenue and profit recognition.

The directors of the Company are in the process of assessing the quantitative effect of these requirements, and accordingly it is not practicable to provide a reasonable estimate of the quantitative effect of HKFRS 15 until the assessment has been completed.

HKFRS 16 – Leases

HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the Group's consolidated statement of financial position and a different recognition of lease costs.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 22 below.

As set out in Note 22 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises as at 31 July 2016 amounted to approximately HK\$5,630,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated cash flow statement.

On the other hand, the adoption of HKFRS 16 does not substantially change how the Group accounts for its leases as a lessor in respect of machinery leasing.

Significant accounting policies***2.1 Subsidiaries***

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2.2 Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the costs 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 are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The principal annual rates are as follows:

Land and building	over the lease term
Plant and machinery	12.5% – 20%
Furniture and equipment	20%
Motor vehicles	20%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

2.3 *Financial instruments*

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

Financial liabilities include trade and other payables, amount due to a director and related parties, and borrowings and finance lease payables. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

2.5 *Employee benefits*

(i) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.6 *Construction contracts*

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise site labour costs (including site supervision); costs of subcontracting; costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the Relevant Periods.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

2.7 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

2.8 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Revenue from construction contracts is recognised based on the percentage of completion of the contracts. The percentage of completion is determined by reference to surveys of work performed (Note 2.6).

Revenue from the sale of scrap materials is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Rental income receivable from operating lease is recognised in profit or loss on a straight-line basis over the periods covered by the lease term.

Interest income from bank deposits and fixed interest rate bond investment is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Interest income from investment in a life insurance policy is recognised when it is probable that it will be received by the Group and the amount of revenue can be measured reliably.

Distributions from financial assets are recognised when the Group's right to receive payment has been established.

2.9 Income taxes

Income taxes for the Relevant Periods comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

2.10 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.11 Impairment of non-financial assets

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.12 Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

2.13 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

2.14 Joint arrangement

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interest in a joint arrangement as joint venture where the group has rights to only the net assets of the joint arrangement.

In assessing the classification of interest in a joint arrangement, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangement structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Joint venture is accounted for using the equity method whereby it is initially recognised at cost and thereafter, its carrying amount is adjusted for the Group's share of the post-acquisition change in the joint venture's net assets except that losses in excess of the Group's interest in the a joint venture is not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint venture is recognised only to the extent of unrelated investor's interest in the joint venture. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

3. Critical accounting judgement and key sources of estimation uncertainty

The preparation of the Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Relevant Periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements other than estimates***Investment in a joint venture***

The Group formed a limited liability joint venture company, Giga-Tech Rock Drilling Limited (“Giga-Tech”), with an independent third party, for the purpose of leasing machine for rental income. The Group and the other shareholder each holds an equal equity interest of 50% in Giga-Tech and represent in the board of Giga-Tech on a 50:50 basis. The directors of the Company considered that the Group and the other shareholder jointly control the relevant activities of Giga-Tech by their equal board representation and each of them shares 50% of net profit or loss of Giga-Tech based on their equal shareholding. Therefore, the investment in Giga-Tech has been accounted for as a joint venture using the equity method of accounting in the Financial Information for the Relevant Periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Financial Information were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Construction contract revenue recognition

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 of the Relevant Periods, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

(ii) Impairment of trade and other receivables

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 2.3(ii). The Group bases the estimates on the ageing of the receivable balances, debtors’ creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(iii) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable profit against which the deferred tax assets can be utilised, which involves a number of assumptions and estimates relating to the operating environment of the Group and requires a significant level of judgement exercised by management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the profit in future periods.

(iv) Fair value measurement

A number of assets and liabilities included in the Financial Information require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Financial assets at fair value through profit or loss (note 18);
- Available-for-sale investment (note 29).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

4. Segment information

Operating segments

During the Relevant Periods, the Group was principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers, based on location of the customers.

	Revenue from external customers				
	Year ended 31 March			Four months ended	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Hong Kong (place of domicile)	147,391	120,022	463,347	120,491	116,789
Macau	<u>316,708</u>	<u>23,060</u>	<u>956</u>	<u>956</u>	<u>–</u>
	<u>464,099</u>	<u>143,082</u>	<u>464,303</u>	<u>121,447</u>	<u>116,789</u>

All of the Group's non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information for non-current assets other than financial instruments ("Specified non-current assets") is presented.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Relevant Periods is as follows:

	Year ended 31 March			Four months ended 31 July	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Customer A	232,313	15,155	-	-	-
Customer F	-	27,143	*	-	-
Customer B	84,395	-	102,849	-	42,598
Customer G	*	25,301	-	-	-
Customer H	-	23,026	187,480	80,474	40,655
Customer J	-	-	93,959	21,644	*
Customer C	51,370	*	-	-	-
Customer M	-	-	-	-	11,824

* Less than 10% of the Group's revenue

5. Revenue, other income and other gains and losses

The Group's revenue represents amount received and receivable from contract work performed and recognised in accordance with accounting policy set out in Note 2.8 above during the Relevant Periods.

An analysis of the Group's other income and other gains and losses recognised during the Relevant Periods are as follows:

	Year ended 31 March			Four months ended 31 July	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Other income					
Interest income from					
– Amount due from a director	7	–	–	–	–
– Bank deposits	39	117	126	18	2
– Investment in a life insurance policy	–	90	95	36	26
– Fixed interest rate bond investment	123	61	–	–	–
	<u>169</u>	<u>268</u>	<u>221</u>	<u>54</u>	<u>28</u>
Total interest income from financial assets that are not at fair value through profit or loss					
Distributions from financial assets at fair value through profit or loss	78	78	39	39	–
Machinery rental income	6,373	7,101	2,505	1,660	167
Sale of scrap materials	254	–	–	–	3,890
Imputed interest on retention receivables	136	1,178	202	90	939
Sundry income	281	166	95	64	9
	<u>7,291</u>	<u>8,791</u>	<u>3,062</u>	<u>1,907</u>	<u>5,033</u>
Other gains and losses					
Foreign exchange loss, net	(440)	(459)	(285)	(454)	(213)
Gain/(loss) on disposal of property, plant and equipment	1,202	2	105	–	(9)
Gain/(loss) on disposal of financial assets at fair value through profit or loss	–	1,012	(28)	–	–
Fair value (loss)/gain on financial assets at fair value through profit or loss	(388)	122	–	–	–
	<u>374</u>	<u>677</u>	<u>(208)</u>	<u>(454)</u>	<u>(222)</u>

6. Operating profit

The Group's operating profit is arrived at after charging:

	Year ended 31 March			Four months ended	
	2014	2015	2016	31 July	
	HK\$'000	HK\$'000	HK\$'000	2015	2016
				(Unaudited)	
Auditors' remuneration	72	89	119	40	230
Depreciation	16,417	15,828	15,686	4,753	4,849
Operating lease rentals in respect of:					
– Land and buildings	3,030	2,235	2,273	869	832
– Plant and equipment	4,166	704	10,545	618	4,448
Employee benefit expenses (Note 7)	55,777	23,879	72,068	7,975	21,897
Listing expenses	–	–	4,351	–	4,611
	<u>–</u>	<u>–</u>	<u>4,351</u>	<u>–</u>	<u>4,611</u>

7. Employee benefit expenses, including directors' remuneration

	Year ended 31 March			Four months ended	
	2014	2015	2016	31 July	
	HK\$'000	HK\$'000	HK\$'000	2015	2016
				(Unaudited)	
Salaries and wages	53,876	22,155	69,855	7,751	21,021
Other staff benefits	252	516	245	–	186
Post-employment benefits – contribution to defined contribution retirement plan	1,649	1,208	1,968	224	690
	<u>55,777</u>	<u>23,879</u>	<u>72,068</u>	<u>7,975</u>	<u>21,897</u>

8. Finance costs

	Year ended 31 March			Four months ended	
	2014	2015	2016	31 July	
	HK\$'000	HK\$'000	HK\$'000	2015	2016
				(Unaudited)	
Interest on finance lease payables	1,274	822	432	142	66
Interest on bank overdrafts	106	9	4	3	1
Interest on short-term loan from a related company	65	–	–	–	–
Interest on bank loans	888	21	321	39	40
Imputed interest expense on retention payables	25	326	66	27	240
	<u>2,358</u>	<u>1,178</u>	<u>823</u>	<u>211</u>	<u>347</u>

9. Directors' remuneration and senior management's emoluments

(i) Directors' remuneration

Details of the directors' remuneration paid or payable for each of the Relevant Periods by the entities comprising the Group to those directors of subsidiaries who were appointed as executive directors and a non-executive director of the Company on 23 March 2016 and 6 June 2016, respectively, are as follows:

	Fees <i>HK\$'000</i>	Salaries and benefits <i>HK\$'000</i>	Contribution to defined contribution retirement plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Four months ended				
31 July 2016				
Executive directors:				
Mr. Gary Chan	–	344	6	350
Mr. Edmond Chan	–	280	6	286
Ms. Amanda Chan	–	170	6	176
Non-executive director:				
Mr. Chan Sau Man, Simon ("Mr. Simon Chan")	–	264	–	264
	<u>–</u>	<u>1,058</u>	<u>18</u>	<u>1,076</u>
Year ended 31 March 2016				
Executive directors:				
Mr. Gary Chan	–	4,118	18	4,136
Mr. Edmond Chan	–	2,910	18	2,928
Ms. Amanda Chan	–	2,053	18	2,071
Non-executive director:				
Mr. Simon Chan	–	858	–	858
	<u>–</u>	<u>9,939</u>	<u>54</u>	<u>9,993</u>

	Fees <i>HK\$'000</i>	Salaries and benefits <i>HK\$'000</i>	Contribution to defined contribution retirement plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2015				
Executive directors:				
Mr. Gary Chan	–	1,118	18	1,136
Mr. Edmond Chan	–	910	18	928
Ms. Amanda Chan	–	553	18	571
Non-executive director:				
Mr. Simon Chan	–	858	–	858
	–	3,439	54	3,493
Year ended 31 March 2014				
Executive directors:				
Mr. Gary Chan	–	9,118	15	9,133
Mr. Edmond Chan	–	6,183	15	6,198
Ms. Amanda Chan	–	4,053	15	4,068
Non-executive director:				
Mr. Simon Chan	–	6,158	–	6,158
	–	25,512	45	25,557
(Unaudited)				
Four months ended 31 July 2015				
Executive directors:				
Mr. Gary Chan	–	344	6	350
Mr. Edmond Chan	–	280	6	286
Ms. Amanda Chan	–	170	6	176
Non-executive director:				
Mr. Simon Chan	–	264	–	264
	–	1,058	18	1,076

Subsequent to the end of the Relevant Periods, Mr. Li Hon Hung, Mr. Siu Miu Man and Mr. Cheng Chi Hung were appointed as the independent non-executive directors of the Company on 24 October 2016. There were no fees or other emoluments payable to independent non-executive directors during the Relevant Periods.

During the Relevant Periods, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 4, 3, 3, 4 and 3 directors for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016 respectively, whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	Year ended 31 March			Four months ended 31 July	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Basic salaries, bonuses and other allowances	620	1,547	2,738	208	520
Post-employment benefits – Contribution to defined contribution retirement plan	15	31	29	6	12
	<u>635</u>	<u>1,578</u>	<u>2,767</u>	<u>214</u>	<u>532</u>

Their remuneration fell within the following bands:

	Year ended 31 March			Four months ended 31 July	
	2014 No. of employees	2015 No. of employees	2016 No. of employees	2015 No. of employees	2016 No. of employees
Nil to HK\$1,000,000	1	1	–	1	2
HK\$1,000,001 to HK\$1,500,000	–	1	1	–	–
HK\$1,500,001 to HK\$2,000,000	–	–	1	–	–
	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>2</u>

During the Relevant Periods, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(iii) Senior management's emoluments excluding the directors

The emoluments paid or payable to members of senior management (excluding the directors) were within the following bands:

	Year ended 31 March			Four months ended 31 July	
	2014	2015	2016	2015	2016
	No. of employees	No. of employees	No. of employees	No. of employees (Unaudited)	No. of employees
Nil to HK\$1,000,000	3	2	3	3	5
HK\$1,000,001 to HK\$1,500,000	-	1	1	-	-
HK\$1,500,001 to HK\$2,000,000	-	-	1	-	-
	<u>3</u>	<u>3</u>	<u>5</u>	<u>3</u>	<u>5</u>

The emoluments of nil, 1, 2, 1 and 2 members of senior management are included in five highest paid individuals for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016 respectively as set out in Note 9 (ii) above.

10. Income tax expense

The amount of income tax expense in the combined statements of comprehensive income represents:

	Year ended 31 March			Four months ended 31 July	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Current tax – Hong Kong profits tax					
– charge for the year/period	22	1,974	7,836	2,395	3,177
Current tax – elsewhere					
– charge for the year/period	<u>5,183</u>	<u>775</u>	<u>-</u>	<u>-</u>	<u>-</u>
	5,205	2,749	7,836	2,395	3,177
Deferred tax expense/(credit) (Note 23)	<u>1,120</u>	<u>(3)</u>	<u>1,759</u>	<u>254</u>	<u>68</u>
Income tax expense	<u>6,325</u>	<u>2,746</u>	<u>9,595</u>	<u>2,649</u>	<u>3,245</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

Income tax arising in Macau during the Relevant Periods is calculated at the rate prevailing therein of 12%.

The income tax expense for the Relevant Periods applicable to profit before income tax expense at the statutory rate for Hong Kong, the jurisdiction in which majority of the Group's operations are domiciled, can be reconciled to the income tax expense at the effective tax rate per the combined statements of comprehensive income as follows:

	Year ended 31 March			Four months ended 31 July	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before income tax expense	<u>50,058</u>	<u>13,928</u>	<u>49,546</u>	<u>13,287</u>	<u>16,176</u>
Tax calculated at the applicable statutory tax rate for Hong Kong of 16.5%	8,259	2,298	8,175	2,192	2,669
Tax effect of share of (profit)/loss of a joint venture	(143)	(116)	161	160	1
Tax effect of different tax rate of a subsidiary operating in other jurisdiction	(1,942)	(288)	-	-	-
Tax effect of income not subject to tax	(310)	(296)	(146)	(42)	(287)
Tax effect of expense not deductible for tax purpose	471	1,188	1,407	308	861
Tax effect of tax losses not recognised	-	-	18	31	1
Tax reduction enacted by local authority	<u>(10)</u>	<u>(40)</u>	<u>(20)</u>	<u>-</u>	<u>-</u>
Income tax expense at the effective tax rate	<u>6,325</u>	<u>2,746</u>	<u>9,595</u>	<u>2,649</u>	<u>3,245</u>

11. Dividends

No dividend has been paid or declared by the Company since its date of incorporation.

On 20 May 2016, an interim dividend of HK\$400 per ordinary share or in aggregate of HK\$40,000,000, was declared by a group entity, S&S Engineering, to its then shareholders for the year ended 31 March 2016. During the period ended 31 July 2016, part of the interim dividend amounting to approximately HK\$19,831,000 was settled by way of offsetting against the net outstanding amounts due from directors who are the Controlling Shareholders, and the remaining interim dividend amounting to approximately HK\$20,169,000 was paid in cash.

On 16 June 2016, a further dividend of HK\$400 per ordinary share or in aggregate of HK\$40,000,000, was declared by a group entity, S&S Engineering, to its then shareholders for the year ended 31 March 2016.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as described in Note 1 above.

12. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as described in Note 1 above.

13. Property, plant and equipment

	Land and building <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2013	4,220	121,385	1,108	10,764	137,477
Additions	–	20,030	53	–	20,083
Disposals	–	(4,977)	–	(1,538)	(6,515)
At 31 March 2014	4,220	136,438	1,161	9,226	151,045
Additions	–	2,608	39	230	2,877
Disposals	–	–	(140)	(134)	(274)
At 31 March 2015	4,220	139,046	1,060	9,322	153,648
Additions	–	24,240	293	5,062	29,595
Disposals	–	(15,127)	–	(568)	(15,695)
At 31 March 2016	4,220	148,159	1,353	13,816	167,548
Additions	–	5,607	26	–	5,633
Disposals	–	(35)	–	(70)	(105)
At 31 July 2016	4,220	153,731	1,379	13,746	173,076
Accumulated depreciation					
At 1 April 2013	1,461	73,151	716	6,601	81,929
Provided for the year	81	14,756	159	1,421	16,417
Eliminated on disposals	–	(2,599)	–	(1,519)	(4,118)
At 31 March 2014	1,542	85,308	875	6,503	94,228
Provided for the year	81	14,182	155	1,410	15,828
Eliminated on disposals	–	–	(137)	(134)	(271)
At 31 March 2015	1,623	99,490	893	7,779	109,785
Provided for the year	81	13,957	112	1,536	15,686
Eliminated on disposals	–	(11,313)	–	(568)	(11,881)
At 31 March 2016	1,704	102,134	1,005	8,747	113,590
Provided for the period	27	4,386	38	398	4,849
Eliminated on disposals	–	(22)	–	(70)	(92)
At 31 July 2016	1,731	106,498	1,043	9,075	118,347

	Land and building HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Net book value					
At 31 March 2014	<u>2,678</u>	<u>51,130</u>	<u>286</u>	<u>2,723</u>	<u>56,817</u>
At 31 March 2015	<u>2,597</u>	<u>39,556</u>	<u>167</u>	<u>1,543</u>	<u>43,863</u>
At 31 March 2016	<u>2,516</u>	<u>46,025</u>	<u>348</u>	<u>5,069</u>	<u>53,958</u>
At 31 July 2016	<u>2,489</u>	<u>47,233</u>	<u>336</u>	<u>4,671</u>	<u>54,729</u>

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 22).

	As at 31 March			As at 31 July 2016
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Plant and machinery	34,438	26,287	18,535	16,414
Motor vehicles	<u>2,262</u>	<u>1,189</u>	<u>115</u>	<u>77</u>
	<u>36,700</u>	<u>27,476</u>	<u>18,650</u>	<u>16,491</u>

14. Amounts due from customers for contract work

	As at 31 March			As at 31 July 2016
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Contracts in progress at the end of reporting periods:				
Contract costs incurred	609,722	536,434	694,510	580,846
Recognised profits less recognised losses	<u>81,585</u>	<u>74,539</u>	<u>113,905</u>	<u>119,636</u>
	691,307	610,973	808,415	700,482
<i>Less: progress billings</i>	<u>(658,406)</u>	<u>(551,232)</u>	<u>(758,525)</u>	<u>(630,892)</u>
	<u>32,901</u>	<u>59,741</u>	<u>49,890</u>	<u>69,590</u>
Represented by:				
Amounts due from customers for contract work	<u>32,901</u>	<u>59,741</u>	<u>49,890</u>	<u>69,590</u>

As at 31 March 2014, 2015 and 2016 and 31 July 2016, retentions held by customers for contract work included in trade and other receivables (Note 15) amounted to approximately HK\$31,128,000, HK\$21,342,000 and HK\$40,792,000 and HK\$28,984,000 respectively.

15. Trade and other receivables

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Trade receivables (<i>note (a)</i>)	8,007	9,424	18,806	8,674
Retention receivables				
(<i>note (b) and Note 14</i>)	31,128	21,342	40,792	28,984
Other receivables (<i>note (c)</i>)	3,194	1,031	2,247	1,292
Prepayments and deposits				
(<i>note (c)</i>)	<u>2,313</u>	<u>2,603</u>	<u>2,818</u>	<u>3,126</u>
	<u>44,642</u>	<u>34,400</u>	<u>64,663</u>	<u>42,076</u>

- (a) Trade receivables were mainly derived from provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

A credit period of less than 60 days is granted by the Group to its trade customers of contract work. Application for progress payments of contract works is made on a regular basis.

The Group had a concentration of credit risk as certain of the Group's trade receivables were due from the Group's five largest customers as detailed below.

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Five largest customers	<u>3,408</u>	<u>6,648</u>	<u>15,932</u>	<u>7,321</u>

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Less than 1 month	6,955	9,323	16,748	8,096
1 to 3 months	900	101	1,703	-
More than 3 months				
but less than one year	-	-	355	578
More than one year	<u>152</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>8,007</u>	<u>9,424</u>	<u>18,806</u>	<u>8,674</u>

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Neither past due nor impaired	6,955	9,323	16,748	8,096
Less than 1 month past due	-	101	1,320	-
1 to 3 months past due	900	-	383	256
More than 3 months past due but less than 12 months past due	-	-	355	322
More than one year	<u>152</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>8,007</u>	<u>9,424</u>	<u>18,806</u>	<u>8,674</u>

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

(b)

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Retention receivables	<u>31,128</u>	<u>21,342</u>	<u>40,792</u>	<u>28,984</u>

Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Retention receivables as at 31 March 2014, 2015 and 2016 and 31 July 2016 were neither past due nor impaired. These related to customers for whom there was no recent history of default.

- (c) The above balances of other receivables, prepayments and deposits as at 31 March 2014, 2015 and 2016 and 31 July 2016 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

16. Amounts due from/to directors and related parties

Particulars of the amounts due from the directors and related parties, disclosed pursuant to the Hong Kong Companies Ordinance, are as follows:

	Balance at	Maximum	Balance at
	1 April	amount	31 July
	2016	outstanding	2016
	HK\$'000	during	HK\$'000
		the year	
		HK\$'000	
Directors			
Mr. Gary Chan	9,948	9,948	–
Mr. Edmond Chan	2,880	2,888	–
Mr. Simon Chan	<u>6,945</u>	<u>7,050</u>	<u>–</u>
	<u>19,773</u>	<u>19,886</u>	<u>–</u>

	Balance at 1 April 2015 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at 31 March 2016 HK\$'000
Directors			
Mr. Gary Chan	6,615	9,948	9,948
Mr. Edmond Chan	–	3,651	2,880
Mr. Simon Chan	<u>16,408</u>	<u>19,044</u>	<u>6,945</u>
	<u>23,023</u>	<u>32,643</u>	<u>19,773</u>
Related party			
Unity Grand Limited	<u>12,058</u>	<u>12,058</u>	<u>–</u>
		Maximum amount	
	Balance at 1 April 2014 HK\$'000	outstanding during the year HK\$'000	Balance at 31 March 2015 HK\$'000
Directors			
Mr. Gary Chan	5,932	7,735	6,615
Mr. Edmond Chan	–	950	–
Ms. Amanda Chan	1,033	1,033	–
Mr. Simon Chan	<u>6,264</u>	<u>34,479</u>	<u>16,408</u>
	<u>13,229</u>	<u>44,197</u>	<u>23,023</u>
Related party			
Unity Grand Limited	<u>12,794</u>	<u>12,794</u>	<u>12,058</u>

	Balance at 1 April 2013	Maximum amount outstanding during the year	Balance at 31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors			
Mr. Gary Chan	7,199	7,839	5,932
Mr. Edmond Chan	245	774	–
Ms. Amanda Chan	1,293	1,293	1,033
Mr. Simon Chan	<u>857</u>	<u>6,282</u>	<u>6,264</u>
	<u>9,594</u>	<u>16,188</u>	<u>13,229</u>
Related parties			
Unity Grand Limited	13,490	13,830	12,794
Well Vantage Development Limited	<u>5,142</u>	<u>5,241</u>	<u>–</u>
	<u>18,632</u>	<u>19,071</u>	<u>12,794</u>

An analysis of the amounts due to a director and related parties is as follows:

	2014	As at 31 March		As at
	<i>HK\$'000</i>	2015	2016	31 July
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Director				
Mr. Edmond Chan	<u>–</u>	<u>30,569</u>	<u>–</u>	<u>–</u>
Related parties				
Vanbo Design & Engineering Company	10	–	–	–
Well Vantage Development Limited	<u>28,894</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>28,904</u>	<u>–</u>	<u>–</u>	<u>–</u>

Mr. Simon Chan, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan are the directors and 100% beneficial owners of Unity Grand Limited.

Mr. Gary Chan is a director and a 99% beneficial owner of Well Vantage Development Limited.

Mr. Edmond Chan is a director and a 100% beneficial owner of Vanbo Design & Engineering Company.

The amounts due from and to the directors and related parties are unsecured, interest-free and have no fixed terms of repayment, except for an amount due from a director of the Company, Ms. Amanda Chan of approximately HK\$79,000, HK\$nil, HK\$nil and HK\$nil as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively which bore interest at 2.75% plus 1 month Hong Kong Interbank Offered Rate, and were repayable by monthly fixed installment.

The Group has not made any provision for doubtful debts in respect of the amounts due from directors and related parties, for which there was no recent history of default.

The amounts due from directors and related parties are neither past due nor impaired and are non-trade in nature.

17. Fixed interest rate bond investment

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed interest rate bond investment	2,480	-	-	-

As at 31 March 2014, the Group had a bond investment which bore fixed interest rate at 2.45% per annum with a maturity date on 16 March 2015.

The Group pledged its bond investment as securities for its banking facilities (see Note 21 for further details).

18. Financial assets at fair value through profit or loss

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Managed funds, at fair value	4,213	2,689	-	-

The fair values of financial assets at fair value through profit or loss are determined by making reference to the unit prices quoted by the respective fund administrators estimated primarily based on net asset values of the managed funds at the end of each of the Relevant Periods and are classified as under level 3 of fair value hierarchy.

The Group pledged its financial assets at fair value through profit or loss as securities for its banking facilities (see Note 21 for further details).

19. Pledged bank deposits/cash and cash equivalents/bank overdrafts

Pledged bank deposits/Cash and cash equivalents

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Cash and bank balances	53,345	41,426	52,722	50,204
Short-term deposits	<u>8,760</u>	<u>14,463</u>	<u>14,007</u>	<u>14,007</u>
	62,105	55,889	66,729	64,211
Less: pledged bank deposits	<u>(8,760)</u>	<u>(11,463)</u>	<u>(14,007)</u>	<u>(14,007)</u>
Cash and cash equivalents	<u><u>53,345</u></u>	<u><u>44,426</u></u>	<u><u>52,722</u></u>	<u><u>50,204</u></u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one to three months, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

The Group has pledged its short-term deposits as securities for its banking facilities (see Note 21 for further details).

Bank overdrafts

Bank overdrafts carried interest at Hong Kong Dollar Best Lending Rate plus 1% per annum as at 31 March 2014, 2015 and 2016 and 31 July 2016.

Details of securities for the bank overdrafts and other banking facilities are set out in Note 21.

20. Trade and other payables

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Trade payables (<i>note (a)</i>)	10,423	24,479	22,587	22,478
Retention payables (<i>note (b)</i>)	6,764	5,989	11,321	12,371
Other payables and accruals (<i>note (c)</i>)	<u>12,889</u>	<u>4,788</u>	<u>9,910</u>	<u>10,364</u>
	<u>30,076</u>	<u>35,256</u>	<u>43,818</u>	<u>45,213</u>

- (a) An ageing analysis of trade payables as at the end of each of the Relevant Periods, based on the invoice dates, is as follows:

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Current or less than 1 month	5,135	22,453	14,944	10,598
1 to 3 months	2,238	657	7,336	11,313
More than 3 months but less than one year	138	319	7	–
More than one year	<u>2,912</u>	<u>1,050</u>	<u>300</u>	<u>567</u>
	<u>10,423</u>	<u>24,479</u>	<u>22,587</u>	<u>22,478</u>

The Group's trade payables are non-interest bearing and generally have payment terms of 7 to 60 days.

- (b) Retention monies withheld from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.
- (c) Other payables are non-interest bearing and generally have payment term of 30-60 days.

21. Borrowings

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Secured interest-bearing bank loans with a repayable on demand clause:				
Repayable within one year	1,435	595	4,794	4,491
Repayable later than one year and not later than two years	<u>162</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,597</u>	<u>595</u>	<u>4,794</u>	<u>4,491</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) of the Group's bank loans are as follows:

	As at 31 March			As at
	2014	2015	2016	31 July
	%	%	%	2016
				%
Effective interest rates:				
Variable-rate bank loans	2.71% – <u>2.96%</u>	2.71% – <u>4.25%</u>	<u>5%</u>	<u>3.5%</u>

Bank loans:

The bank loans together with bank overdrafts and other banking facilities are secured by:

- (a) Leasehold land and buildings owned by a non-executive director, Mr. Simon Chan, and his wife, Ms. Kho Siu Giok, which will be released upon the Listing;
- (b) Leasehold land and building owned by a related company beneficially owned by the Controlling Shareholders and Mr. Simon Chan;
- (c) the Group's bank deposits amounting to approximately HK\$8,760,000, HK\$11,463,000, HK\$14,007,000 and HK\$14,007,000 as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively (Note 19);

- (d) personal guarantees executed by the directors of the Company, Mr. Simon Chan and Mr. Gary Chan, and corporate guarantees given by certain entities within the Group;
- (e) the Group's fixed interest rate bond investment amounted to approximately HK\$2,480,000 as at 31 March 2014 (Note 17);
- (f) registered assignment of receivables on certain civil engineering contracts undertaken by the Group;
- (g) blanket counter indemnity from the Group;
- (h) the Group's financial assets at fair value through profit or loss amounted to approximately HK\$4,213,000 and HK\$2,689,000 as at 31 March 2014 and 2015 respectively (Note 18); and
- (i) corporate guarantee given by a related party, Goldsteady Investment Limited ("Goldsteady") of which Mr. Gary Chan is a director and a 75% beneficial and controlling owner, which is supported by a property of which Goldsteady is the mortgagor, which will be released upon the Listing.

The Group's unutilised banking facilities as at 31 July 2016 amounted to approximately HK\$66,446,000.

22. Leases

Finance leases

The Group leases a number of its plant and machinery and motor vehicles for business use. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 July 2016			
Not later than one year	1,938	108	1,830
Later than one year and not later than two years	<u>1,443</u>	<u>33</u>	<u>1,410</u>
	<u><u>3,381</u></u>	<u><u>141</u></u>	<u><u>3,240</u></u>
As at 31 March 2016			
Not later than one year	3,416	147	3,269
Later than one year and not later than two years	<u>2,063</u>	<u>60</u>	<u>2,003</u>
	<u><u>5,479</u></u>	<u><u>207</u></u>	<u><u>5,272</u></u>
As at 31 March 2015			
Not later than one year	9,640	311	9,329
Later than one year and not later than two years	<u>2,307</u>	<u>41</u>	<u>2,266</u>
	<u><u>11,947</u></u>	<u><u>352</u></u>	<u><u>11,595</u></u>
As at 31 March 2014			
Not later than one year	13,969	794	13,175
Later than one year and not later than two years	<u>10,696</u>	<u>281</u>	<u>10,415</u>
	<u><u>24,665</u></u>	<u><u>1,075</u></u>	<u><u>23,590</u></u>

Operating leases – lessee

The Group leased its office premises under operating lease arrangements which were negotiated for terms ranging from one to three years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	2,227	2,080	1,551	2,334
Later than one year and not later than five years	<u>2,638</u>	<u>561</u>	<u>823</u>	<u>3,296</u>
	<u><u>4,865</u></u>	<u><u>2,641</u></u>	<u><u>2,374</u></u>	<u><u>5,630</u></u>

23. Deferred tax

Details of the net deferred tax liabilities recognised and movements during the Relevant Periods are as follows:

	Accelerated depreciation allowances	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	(5,069)	984	(4,085)
Charged to profit or loss for the year (Note 10)	<u>(839)</u>	<u>(281)</u>	<u>(1,120)</u>
At 31 March 2014	(5,908)	703	(5,205)
Credited/(charged) to profit or loss for the year (Note 10)	<u>706</u>	<u>(703)</u>	<u>3</u>
At 31 March 2015	(5,202)	–	(5,202)
Charged to profit or loss for the year (Note 10)	<u>(1,759)</u>	<u>–</u>	<u>(1,759)</u>
At 31 March 2016	(6,961)	–	(6,961)
Charged to profit or loss for the period (Note 10)	<u>(68)</u>	<u>–</u>	<u>(68)</u>
At 31 July 2016	<u><u>(7,029)</u></u>	<u><u>–</u></u>	<u><u>(7,029)</u></u>

No deferred tax asset has been recognised in respect of the unused tax losses amounted to approximately HK\$108,000 and HK\$111,000 arising in Hong Kong as at 31 March 2016 and 31 July 2016, respectively, due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

24. Share capital

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2016. The authorised share capital on the date of incorporation of the Company is HK\$380,000 consisting of 38,000,000 ordinary shares with a par value of HK\$0.01 each. On 23 March 2016, one ordinary share was allotted and issued fully paid at par to the initial subscriber, which was then transferred to Mr. Gary Chan on the same date. Mr. Gary Chan subsequently transferred the one ordinary share to Creative Elite Global Limited at a consideration of HK\$0.01 on 6 June 2016. Further details on the Company's share capital are set out in the sub-paragraph headed "Changes in share capital of our Company" in Appendix IV to the Prospectus.

For the purpose of this report, the share capital of the Group as at 31 March 2014, 2015 and 2016 and 31 July 2016 represented the combined share capital of the entities now comprising the Group at the end of each of the Relevant Periods.

25. Reserves

The Group

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity of this report.

i) Available-for-sale financial asset reserve

It represents unrealised gains or losses recognised as other comprehensive income for investment in a life insurance policy.

ii) Foreign exchange reserve

It comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

iii) Retained earnings

It represents cumulative net profits recognised in the combined statements of comprehensive income.

The Company

	Accumulated losses HK\$'000
As at 23 March 2016 (Date of incorporation) and 31 March 2016	–
Loss and total comprehensive income for the period	<u>(19)</u>
As at 31 July 2016	<u><u>(19)</u></u>

26. Related party transactions

In addition to the transactions and balances disclosed elsewhere in the Financial Information, during the Relevant Periods, the Group entered into the following significant transactions with its related parties, which also constitute connected transactions as defined in Chapter 14A of the Listing Rules:

(i) Material transactions with related parties

Name of related parties	Nature of transactions	Year ended 31 March			Four months ended 31 July	
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Vanbo Design & Engineering Company	Project management fee paid to the related company	<u>1,376</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The above transactions were conducted based on mutually agreed prices and terms.

(ii) Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the Relevant Periods are set out in Note 9 to the Financial Information.

27. Financial risk management

The Group's principal financial assets are trade and other receivables, amounts due from directors and related parties, investment in a life insurance policy, fixed interest rate bond investment, financial assets at fair value through profit or loss and cash and cash equivalents that derive principally directly from its operations. Principal financial liabilities of the Group include trade and other payables, borrowings, bank overdrafts, dividend payable, finance lease payables and amounts due to a director and related parties. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the Relevant Periods. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and deposits with banks, fixed interest rate bond investment, financial assets at fair value through profit or loss and investment in a life insurance policy.

The credit risk of Group's trade receivables is concentrated, since 43%, 71%, 85% and 84% of which was derived from the five largest customers as at 31 March 2014, 2015 and 2016 and 31 July 2016, respectively. Management considered the credit risk is limited since the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and creditability of those trade debtors on an ongoing basis.

Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the 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 the Group during the Relevant Periods and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances, fixed interest rate bond investment, financial assets at fair value through profit or loss and investment in a life insurance policy are deposited with banks or counterparties, or underwritten by an insurer, with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks, counterparties or the insurer.

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Relevant Periods and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the Relevant Periods.

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	Over 1 year but less than 2 years HK\$'000	Total HK\$'000
As at 31 July 2016					
Bank overdrafts	132	–	–	–	132
Trade and other payables	28,735	11,507	4,330	761	45,333
Dividend payable	–	40,000	–	–	40,000
Finance lease payables	233	310	1,395	1,443	3,381
Borrowings	4,491	–	–	–	4,491
	<u>33,591</u>	<u>51,817</u>	<u>5,725</u>	<u>2,204</u>	<u>93,337</u>
As at 31 March 2016					
Trade and other payables	29,338	10,690	479	3,654	44,161
Finance lease payables	659	960	1,797	2,063	5,479
Borrowings	4,794	–	–	–	4,794
	<u>34,791</u>	<u>11,650</u>	<u>2,276</u>	<u>5,717</u>	<u>54,434</u>
As at 31 March 2015					
Trade and other payables	30,389	1,604	2,041	1,304	35,338
Finance lease payables	965	1,930	6,745	2,307	11,947
Borrowings	595	–	–	–	595
Amount due to a director	30,569	–	–	–	30,569
	<u>62,518</u>	<u>3,534</u>	<u>8,786</u>	<u>3,611</u>	<u>78,449</u>
As at 31 March 2014					
Trade and other payables	18,913	3,241	2,705	5,592	30,451
Finance lease payables	1,304	2,609	10,056	10,696	24,665
Borrowings	1,597	–	–	–	1,597
Amounts due to related parties	28,904	–	–	–	28,904
	<u>50,718</u>	<u>5,850</u>	<u>12,761</u>	<u>16,288</u>	<u>85,617</u>

Borrowings with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. As at 31 March 2014, 2015 and 2016 and 31 July 2016, the aggregate undiscounted principal amounts of these loans amounted to approximately HK\$1,597,000, HK\$595,000 and HK\$4,794,000 and HK\$4,491,000, respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the maturity analysis of these borrowings according to the scheduled repayment dates are set out as follows:

	Less than 1 month HK\$'000	1 to 3 months HK\$'000	3 to 12 months HK\$'000	Over 1 year but less than 2 years HK\$'000	Total HK\$'000
Borrowings					
At 31 July 2016	<u>4,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,529</u>
At 31 March 2016	<u>-</u>	<u>4,854</u>	<u>-</u>	<u>-</u>	<u>4,854</u>
At 31 March 2015	<u>54</u>	<u>556</u>	<u>-</u>	<u>-</u>	<u>610</u>
At 31 March 2014	<u>254</u>	<u>507</u>	<u>693</u>	<u>163</u>	<u>1,617</u>

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings (see Notes 19 and 21 for details of these balances). Interest charged on the Group’s borrowings are at variable rates. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the short-term fixed rate bank deposits. However, management considers the fair value interest rate risk on these deposits is insignificant as they are relatively short-term. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, borrowings and bank overdrafts. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of each of the Relevant Periods were outstanding for the whole year. 25 basis points and 50 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances, borrowings and bank overdrafts, respectively. The calculation of 25 basis points decrease in interest rates of bank balances excluded the bank balances in Hong Kong and Macau of HK\$53,345,000, HK\$44,508,000 and HK\$55,387,000 and HK\$55,370,000 at 31 March 2014, 2015 and 2016 and 31 July 2016, respectively, which carried interest rates below 0.25%.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the Relevant Periods do not reflect the exposures during the Relevant Periods.

If interest rates on bank balances had been 25 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 is as follows:

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Increase/(decrease) in profit for the year/period				
– as a result of increase in interest rate	18	24	24	18
– as a result of decrease in interest rate	(18)	(24)	(24)	(18)

If interest rates on borrowings and bank overdrafts had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 is as follows:

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
(Decrease)/increase in profit for the year/period				HK\$'000
– as a result of increase in interest rate	(7)	(2)	(20)	(19)
– as a result of decrease in interest rate	<u>7</u>	<u>2</u>	<u>20</u>	<u>19</u>

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt is calculated as the total of trade and other payables, finance lease payables, borrowings, bank overdrafts, dividend payable and amounts due to a director and related parties, and less cash and cash equivalents. Capital represents total equity.

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
Total debt	84,167	78,015	53,884	93,076
Less: Cash and cash equivalents	<u>(53,345)</u>	<u>(44,426)</u>	<u>(52,722)</u>	<u>(50,204)</u>
Net debt	30,822	33,589	1,162	42,872
Total equity	<u>138,258</u>	<u>149,193</u>	<u>189,141</u>	<u>122,308</u>
Net debt and total equity	<u>169,080</u>	<u>182,782</u>	<u>190,303</u>	<u>165,180</u>
Gearing ratio	<u>18%</u>	<u>18%</u>	<u>1%</u>	<u>26%</u>

28. Summary of financial assets and financial liabilities by category

The following table shows the carrying amount of each of the categories of financial assets and liabilities:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Financial assets at fair value				
through profit or loss	4,213	2,689	–	–
Available-for-sale financial assets:				
Investment in a life insurance policy	–	2,230	2,303	2,336
Loans and receivables:				
Trade and other receivables	43,799	33,595	63,339	40,494
Amounts due from related parties	12,794	12,058	–	–
Amounts due from directors	13,229	23,023	19,773	–
Fixed interest rate bond investment	2,480	–	–	–
Pledged bank deposits	8,760	11,463	14,007	14,007
Cash and cash equivalents	<u>53,345</u>	<u>44,426</u>	<u>52,722</u>	<u>50,204</u>
	<u>138,620</u>	<u>129,484</u>	<u>152,144</u>	<u>107,041</u>
Financial liabilities				
Financial liabilities at amortised cost:				
Bank overdrafts	–	–	–	132
Trade and other payables	30,076	35,256	43,818	45,213
Dividend payable	–	–	–	40,000
Amounts due to related parties	28,904	–	–	–
Amount due to a director	–	30,569	–	–
Borrowings	1,597	595	4,794	4,491
Finance lease payables	<u>23,590</u>	<u>11,595</u>	<u>5,272</u>	<u>3,240</u>
	<u>84,167</u>	<u>78,015</u>	<u>53,884</u>	<u>93,076</u>

The carrying amounts of the financial instruments reasonably approximated to their fair values as at 31 March 2014, 2015 and 2016 and 31 July 2016.

The fair values of managed funds at fair value through profit or loss are determined by making reference to unit prices quoted by the respective fund administrators estimated primarily based on net asset values of the managed funds, as these may be redeemed at the request by the holders based on such quoted price. The fair value of investment in a life insurance policy classified as an available-for-sale investment is based on the account value less surrender charge, as provided by the insurers. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the combined statements of financial position, and the related changes in fair values, which are recorded in profit or loss or other comprehensive income, as appropriate, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2014, 2015 and 2016 and 31 July 2016:

	Valuation technique	Significant unobservable input	Value	Sensitivity of fair value to the input
Managed funds at fair value through profit or loss	Net Asset Value (Note a)	Net Asset value	N/A	N/A
Investment in a life insurance policy classified as an available-for-sale investment	N/A	Account value	31 March 2014: N/A 31 March 2015: HK\$2,661,000 31 March 2016: HK\$2,722,000 31 July 2016: HK\$2,744,000	5% increase (decrease) in account value would result in increase (decrease) in fair value by approximately HK\$133,000 (HK\$133,000), HK\$136,000 (HK\$136,000) and HK\$137,000 (HK\$137,000) as at 31 March 2015 and 2016 and 31 July 2016 respectively.

Note a: The Group has determined that the reported net asset value represents the fair value at the end of each of the Relevant Periods.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 July 2016				
Available-for-sale investments	-	-	2,336	2,336
As at 31 March 2016				
Available-for-sale investments	-	-	2,303	2,303
As at 31 March 2015				
Financial assets at fair value through profit or loss	-	-	2,689	2,689
Available-for-sale investments	-	-	2,230	2,230
	-	-	4,919	4,919
As at 31 March 2014				
Financial assets at fair value through profit or loss	-	-	4,213	4,213

The movements in fair value measurements in Level 3 during the Relevant Periods are as follows:

	Year ended 31 March			Four months ended
	2014	2015	2016	31 July 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year/period	4,601	4,213	4,919	2,303
Changes in fair value of investment in a life insurance policy recognised in other comprehensive income	–	(431)	12	11
Total (loss)/gain on investment in life insurance policy recognised in profit or loss	–	(102)	61	22
Fair value (loss)/gain on financial assets at fair value through profit or loss	(388)	1,134	(28)	–
Redemption of managed funds	–	(2,658)	(2,661)	–
Subscription to investment in a life insurance policy	–	2,763	–	–
At end of the year/period	<u>4,213</u>	<u>4,919</u>	<u>2,303</u>	<u>2,336</u>

There were no changes in valuation techniques and no transfers between levels during the Relevant Periods.

29. Investment in a life insurance policy

During the year ended 31 March 2015, the Group entered into a life insurance policy with an insurance company to insure against the death of a director who is also a controlling shareholder of the Group, Mr. Gary Chan (the "Insured"), with an aggregate insured sum of US\$1,000,000 (equivalent to approximately HK\$7,525,000). Under the policy, the beneficiary and policyholder is S&S Engineering. The Group was required to pay a single premium payment of US\$355,797 (equivalent to approximately HK\$2,763,000). An annual minimum guaranteed return is 4.2% and 2% for the first year and from the second year to the end of the policy, respectively. As at 31 March 2015 and 2016 and 31 July 2016, if the Group withdrew from the insurance contract, the account value, net of a surrender charge, would be refunded to the Group. The surrender charge as at 31 March 2015 and 2016 and 31 July 2016 is US\$55,542 (approximately HK\$431,000), US\$54,090 (approximately HK\$419,000) and US\$52,638 (approximately HK\$408,000) respectively. The amount of the surrender charge decreases over time and is no longer required from the 19th year of contract conclusion onwards.

The directors consider that the carrying amount of the investment in a life insurance policy approximates its fair value. The fair value of the investment in a life insurance policy is provided by the insurance company which is determined with reference to the account value, net of a surrender charge.

As at 31 March 2015 and 2016 and 31 July 2016, the Group's investment in a life insurance policy is grouped into Level 3 category of fair value hierarchy.

30. Interest in a joint venture

	As at 31 March			As at
	2014	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Share of net assets	3,655	4,359	41	38

Details of the joint venture are as follows:-

Name	Form of business structure	Place of incorporation	Place of operation and principal activity	Percentage of ownership interests/voting rights/profit sharing
Giga-Tech Rock Drilling Limited ("Giga-Tech")	Limited liability company	Hong Kong	Provision of machinery rental (Ceased business on 15 May 2015)	50%

The Group formed a limited liability joint venture, Giga-Tech with an independent third party for the purpose of leasing machines for rental income.

All profit made or loss incurred by Giga-tech shall be shared between the Group and the independent third party on a 50:50 basis and shall be distributed or contributed respectively. The directors of the Company consider the Group has a joint control over the relevant activities of the Giga-tech and have classified the investment in Giga-tech as a joint venture.

Summarised financial information in relation to the joint venture is presented below:

	As at 31 March			As at	
	2014	2015	2016	31 July	
	HK\$'000	HK\$'000	HK\$'000	2016	
				HK\$'000	
Current assets	6,117	6,978	543	420	
Non-current assets	2,547	2,112	-	-	
Current liabilities	<u>(1,354)</u>	<u>(372)</u>	<u>(461)</u>	<u>(344)</u>	
Net assets	<u>7,310</u>	<u>8,718</u>	<u>82</u>	<u>76</u>	
Reconciliation to the Group's interest in a joint venture:					
Proportion of the Group's ownership	50%	50%	50%	50%	
Carrying amount of the interest in a joint venture	<u>3,655</u>	<u>4,359</u>	<u>41</u>	<u>38</u>	
<i>Included in the above amounts are:</i>					
Cash and cash equivalents	<u>166</u>	<u>28</u>	<u>20</u>	<u>8</u>	
	Year ended 31 March			Four months ended	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	2,640	2,200	-	-	-
Net profit/(loss) and total comprehensive income for the year/period	<u>1,728</u>	<u>1,408</u>	<u>(1,950)</u>	<u>(1,937)</u>	<u>(6)</u>
Dividend received by the Group from the joint venture	<u>-</u>	<u>-</u>	<u>3,343</u>	<u>-</u>	<u>-</u>
<i>Included in the above amounts are:</i>					
Depreciation	435	435	36	36	-
Finance costs	71	20	-	-	-
Income tax expense	<u>396</u>	<u>325</u>	<u>-</u>	<u>-</u>	<u>-</u>

31. Commitments

Details of the Group's operating lease commitments are set out in Note 22 above. The Group has certain capital commitment at the end of each of the Relevant Periods and is disclosed as follows:

	2014 HK\$'000	As at 31 March 2015 HK\$'000	2016 HK\$'000	As at 31 July 2016 HK\$'000
Commitments for the acquisition of property, plant and equipment: – contracted but not provided for	–	3,584	–	–

32. Litigations

At the end of each of the Relevant Periods, there were a number of labour claims arising from the normal course of business being lodged against the Group and no specific claim amount has been specified in the applications of these claims. In the opinion of the directors, the possibility of any outflow of resources in settling these claims were remote and/or sufficient insurance policies are maintained to cover the loss, if any, arising from these claims and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

III. SUBSEQUENT EVENTS

Subsequent to 31 July 2016 and up to the date of this report, the following significant events have taken place:

- (a) On 7 October 2016, the entities now comprising the Group underwent a group reorganisation to rationalise the Group's structure in preparation of the listing of shares of the Company on the Main Board of the Stock Exchange.
- (b) On 7 October 2016, 9,999 shares of the Company, all credited as fully paid at par, were allotted and issued to Creative Elite Global Limited as consideration for the acquisition of the entire issued share capital of Favourable Year.
- (c) On 24 October 2016, written resolutions were passed to effect the transactions as set out in the sub-paragraph headed "Written resolutions of our sole Shareholder passed on 24 October 2016" in Appendix IV to the Prospectus, certain of which are disclosed as follows:
 - (i) The authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 shares.

- (ii) The capitalisation issue was approved and directors of the Company were authorised to capitalise an amount of HK\$5,449,900 standing to the credit of the share premium account of the Company to pay up in full at par 544,990,000 shares for allotment and issue to Creative Elite Global Limited, each ranking *pari passu* in all respects with the then existing issued shares, and directors of the Company were authorised to give effect to such capitalisation.

- (iii) The Company's Share Option Scheme was adopted. Details of the Share Option Scheme are set out in section headed "Share Option Scheme" of Appendix IV to the Prospectus.

Save as disclosed above, there are no other significant events which have taken place subsequent to 31 July 2016.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 July 2016.

Yours faithfully

BDO Limited

Certified Public Accountants

Tang Tak Wah

Practising Certificate Number P06262

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out 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" to this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Share Offer on the combined net tangible assets of our Group attributable to the owners of the Company as at 31 July 2016 as if the Share Offer had taken place on 31 July 2016.

This unaudited pro forma statement of adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group attributable to the owners of the Company as at 31 July 2016 or at any future dates following the Share Offer. It is prepared based on the combined net tangible assets of our Group attributable to the owners of the Company as at 31 July 2016 as set out in the Accountant's Report on historical financial information of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets attributable to the owners of the Company as at <u>31 July 2016</u> <i>HK\$'000</i> <i>(note 1)</i>	Estimated net proceeds from <u>the Share Offer</u> <i>HK\$'000</i> <i>(note 2)</i>	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company <u>per Share</u> <i>HK\$</i> <i>(note 3)</i>
Based on an Offer Price of HK\$0.8 per Share	<u>122,308</u>	<u>85,956</u>	<u>208,264</u> <u>0.3156</u>
Based on an Offer Price of HK\$1.0 per Share	<u>122,308</u>	<u>108,266</u>	<u>230,574</u> <u>0.3494</u>

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as at 31 July 2016 is extracted from the accountant's report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 115,000,000 New Shares and the indicative Offer Price of HK\$0.8 and HK\$1.0 per Share, being the minimum and maximum Offer Price per Share, respectively, assuming no exercise of Over-allotment Option or any options may be granted under the Share Option Scheme, after deduction of the underwriting fees and other related expenses of approximately HK\$6.0 million or HK\$6.7 million, based on the Offer Price of HK\$0.8 or HK\$1.0 per Share, respectively, payable and borne by the Company in connection with the Share Offer (taking into account the effect of listing expenses of approximately HK\$9.0 million that have been charged to profit or loss prior to 31 July 2016, listing expenses of approximately HK\$2.3 million or HK\$2.6 million based on the Offer Price of HK\$0.8 or HK\$1.0 per Share borne by the Selling Shareholder for the sale of Sale Shares, and approximately HK\$4.2 million that the Selling Shareholder has agreed to reimburse in its capacity as shareholders, and when received by the Company upon the Listing, will be accounted for as a capital contribution to the Company).
- (3) The unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company per Share is calculated based on 660,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assuming (i) the Share Offer had been completed on 31 July 2016 and (ii) no exercise of the Over-allotment Option or any options may be granted under the Share Option Scheme and no Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus or otherwise.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2016.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this prospectus.



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Sheung Yue Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sheung Yue Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 July 2016 and the related notes as set out in Part A of Appendix II on pages II-1 to II-2 of the prospectus issued by the Company dated 31 October 2016 (the "Prospectus") (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix II on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed share offer of the Company (the "Share Offer") on the Group's financial position as at 31 July 2016 as if the Share Offer had taken place as at 31 July 2016. As part of this process, information about the Group's financial position as at 31 July 2016 has been extracted by the Directors from the Group's financial information for the three years ended 31 March 2016 and the four months ended 31 July 2016, on which an accountant's report set out in Appendix I to this prospectus has been published.

Directors' responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with Rule 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" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our 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 accountant’s responsibilities

Our responsibility is to express an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information, in accordance with Rule 4.29(7) of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 July 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors 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 accountant's judgment, having regard to the reporting accountant's 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 Rule 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Tang Tak Wah

Practising Certificate Number P06262

Hong Kong

31 October 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 24 October 2016. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Financial assistance to purchase shares of the Company or its subsidiaries

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(x) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(xi) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 May 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

(A) FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 March 2016. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 5 May 2016 and our principal place of business in Hong Kong is at Unit 103-105, 1/F., New East Ocean Centre, No. 9 Science Museum Road, Tsimshatsui East, Kowloon. Ms. Amanda Chan of Flat B, 1/F., Block C2, 1 Town Centre Crescent, Hong Lok Yuen, Tai Po, New Territories, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Company Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued fully paid at par to the subscriber to the Memorandum and Articles of Association on 23 March 2016, which was transferred to Mr. Gary Chan on the same day. On 6 June 2016, Mr. Gary Chan transferred the one Share to Creative Elite.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued shares of Favourable Year from Creative Elite, on 7 October 2016, 9,999 Shares, all credited as fully paid at par, were allotted and issued to Creative Elite.
- (c) On 24 October 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 1,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.
- (d) Immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), 660,000,000 Shares will be issued fully paid or credited as fully paid, and 1,340,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph “(A) Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 24 October 2016” in this appendix, and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 24 October 2016

By written resolutions of our sole Shareholder passed on 24 October 2016:

- (a) our Company approved and adopted the Memorandum and the Articles, the material terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer and the grant of the Over-allotment Option was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option, each ranking *pari passu* with the then existing Shares in all respects;
 - (ii) conditional further on the share premium account of our Company being credited as a result of the Share Offer or otherwise having sufficient balance, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$5,449,900 standing to the credit of the share premium account of our Company to pay up in full at par 544,990,000 Shares for allotment and issue to Creative Elite, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation; and

- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “(D) Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Share allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer, Shares with an aggregate nominal value not exceeding 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate of the number of Shares in issue immediately following completion of the Share Offer and Capitalisation Issue but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The key steps of the Reorganisation are set out in the section headed "History and development – Reorganisation" in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountant's report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed above, and save as mentioned in the paragraph headed "(A) Further information about our Company – 4. Corporate reorganisation" in this appendix and in the section headed "History and development – Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 24 October 2016, a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Share to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits, out of our Company’s share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate (as defined in the Listing Rules) of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

On the basis of 660,000,000 Shares in issue after completion of the Share Offer and the Capitalisation Issue, exercise in full of the Repurchase Mandate, could accordingly result in up to 66,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequence that may arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate. Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

(B) FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company as a whole:

- (a) the agreement for the assignment of quotas dated 19 May 2016 executed by Simon & Sons, Mr. Wong Chung Seng, Ms. Mok Yu Sau Prescilla and Mr. Lui Shun Wa Alexander, pursuant to which (i) Mr. Wong Chung Seng agreed to assign his quota of MOP40,000 in the registered capital of Simon & Sons (Macau) to Simon & Sons at a consideration of MOP40,000; and (ii) Mr. Lui Shun Wa Alexander agreed to assign his quota of MOP10,000 in the registered capital of Simon & Sons (Macau) to Simon & Sons at a consideration of MOP10,000;
- (b) the deed of settlement dated 31 May 2016 between Simon & Sons, Mr. Gary Chan and Mr. Edmond Chan whereby it was agreed that the dividend in the amount of approximately HK\$12.1 million payable by Simon & Sons was deemed to be set off against the same amount due to Simon & Sons from Mr. Gary Chan and Mr. Edmond Chan;
- (c) an instrument of transfer dated 7 October 2016 entered into between Mr. Simon Chan (as transferor) and Favourable Year (as transferee) for the transfer of 50,500 ordinary shares in Simon & Sons from Mr. Simon Chan to Favourable Year in consideration of Favourable Year allotting and issuing 50 ordinary shares of US\$1.00 each, credited as fully paid at par, to Creative Elite;
- (d) bought and sold notes dated 7 October 2016 executed by Mr. Simon Chan (as seller) and Favourable Year (as buyer) for the transfer of 50,500 ordinary shares in Simon & Sons as referred to in paragraph (c) above;
- (e) an instrument of transfer dated 7 October 2016 entered into between Mr. Gary Chan (as transferor) and Favourable Year (as transferee) for the transfer of 23,000 ordinary shares in Simon & Sons from Mr. Gary Chan to Favourable Year in consideration of Favourable Year allotting and issuing 23 ordinary shares of US\$1.00 each, credited as fully paid at par, to Creative Elite;


- (f) bought and sold notes dated 7 October 2016 executed by Mr. Gary Chan (as seller) and Favourable Year (as buyer) for the transfer of 23,000 ordinary shares in Simon & Sons as referred to in paragraph (e) above;
- (g) an instrument of transfer dated 7 October 2016 entered into between Mr. Edmond Chan (as transferor) and Favourable Year (as transferee) for the transfer of 11,500 ordinary shares in Simon & Sons from Mr. Edmond Chan to Favourable Year in consideration of Favourable Year allotting and issuing 11 ordinary shares of US\$1.00 each, credited as fully paid at par, to Creative Elite;
- (h) bought and sold notes dated 7 October 2016 executed by Mr. Edmond Chan (as seller) and Favourable Year (as buyer) for the transfer of 11,500 ordinary shares in Simon & Sons as referred to in paragraph (g) above;
- (i) an instrument of transfer dated 7 October 2016 entered into between Ms. Amanda Chan (as transferor) and Favourable Year (as transferee) for the transfer of 10,000 ordinary shares in Simon & Sons from Ms. Amanda Chan to Favourable Year in consideration of Favourable Year allotting and issuing 10 ordinary shares of US\$1.00 each, credited as fully paid at par, to Creative Elite;
- (j) bought and sold notes dated 7 October 2016 executed by Ms. Amanda Chan (as seller) and Favourable Year (as buyer) for the transfer of 10,000 ordinary shares in Simon & Sons as referred to in paragraph (i) above;
- (k) an instrument of transfer dated 7 October 2016 entered into between Ms. Chrissy Chan (as transferor) and Favourable Year (as transferee) for the transfer of 5,000 ordinary shares in Simon & Sons from Ms. Chrissy Chan to Favourable Year in consideration of Favourable Year allotting and issuing five ordinary shares of US\$1.00 each, credited as fully paid at par, to Creative Elite;
- (l) bought and sold notes dated 7 October 2016 executed by Ms. Chrissy Chan (as seller) and Favourable Year (as buyer) for the transfer of 5,000 ordinary shares in Simon & Sons as referred to in paragraph (k) above;
- (m) an instrument of transfer dated 7 October 2016 entered into between Mr. Edmond Chan (as transferor) and Favourable Year (as transferee) for the transfer of one ordinary share in Vanbo Engineering from Mr. Edmond Chan to Favourable Year in consideration of Favourable Year allotting and issuing 50 ordinary shares of US\$1.00 each, credited as fully paid at par, to Creative Elite;

- (n) bought and sold notes dated 7 October 2016 executed by Mr. Edmond Chan (as seller) and Favourable Year (as buyer) for the transfer of one ordinary share in Vanbo Engineering as referred to in paragraph (m) above;
- (o) an instrument of transfer dated 7 October 2016 entered into between Ms. Sung Chi Lai Cora (as transferor) and Favourable Year (as transferee) for the transfer of one ordinary share in Vanbo Engineering from Ms. Sung Chi Lai Cora to Favourable Year in consideration of Favourable Year allotting and issuing 50 ordinary shares of US\$1.00 each, credited as fully paid at par, to Creative Elite;
- (p) bought and sold notes dated 7 October 2016 executed by Ms. Sung Chi Lai Cora (as seller) and Favourable Year (as buyer) for the transfer of one ordinary share in Vanbo Engineering as referred to in paragraph (o) above;
- (q) a sale and purchase agreement dated 7 October 2016 entered into among our Company (as buyer), Creative Elite (as seller), Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan (collectively as covenantors), pursuant to which our Company agreed to acquire 200 ordinary shares in Favourable Year (representing its entire issued shares) from Creative Elite, and in consideration of which, 9,999 Shares were issued and allotted to Creative Elite, credited as fully paid at par;
- (r) an instrument of transfer dated 7 October 2016 entered into between Creative Elite (as transferor) and our Company (as transferee) for the transfer of 200 ordinary shares in Favourable Year as referred to in paragraph (q) above;
- (s) the Deed of Non-competition;
- (t) the Deed of Indemnity; and
- (u) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group had applied for registration of the following trademark, the registration of which has not yet been granted:

Trademark	Class	Application Number	Application Date	Place of Application	Applicant
	37 and 42	303762036	29 April 2016	Hong Kong	Rainbow Republic

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Registrant	Domain Name	Registration Date	Expiry Date
Simon & Sons	simonandsons.com.hk	21 September 2014	20 September 2019

(C) FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**1. Disclosure of interests**

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of any Shares which may be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/Interested	Percentage of interest
Mr. Gary Chan ^(Note)	Interest of a controlled corporation	495,000,000	75%

Note: Creative Elite is owned as to 45%, 28%, 18% and 9% by Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, respectively. As Mr. Gary Chan beneficially owns 45% of the issued shares of Creative Elite, Mr. Gary Chan is deemed to be interested in 495,000,000 Shares held by Creative Elite pursuant to the SFO.

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), in view of the concert party arrangement among Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite, details of which are set out in the section headed “History and Development – Our corporate history – Concert party arrangement” in this prospectus, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan and Ms. Chrissy Chan, who will, through Creative Elite, control an aggregate of 495,000,000 Shares, representing 75% of the enlarged issued share capital of our Company. Hence, Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite are a group of Controlling Shareholders within the meaning of the Listing Rules.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held/interested	Percentage of interest (approximate)
Mr. Gary Chan	Creative Elite	Beneficial owner	45	45%
Mr. Edmond Chan	Creative Elite	Beneficial owner	28	28%
Ms. Amanda Chan	Creative Elite	Beneficial owner	18	18%

So far as is known to our Directors and taking no account of any Shares which may be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer and the Capitalisation Issue, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Our Company

Name	Capacity/ Nature of interest	Number of Shares held/interested	Percentage of interest
Creative Elite	Beneficial owner	495,000,000	75%
Ms. Vane Siu Ling Linda ^(Note)	Family interest	495,000,000	75%

Note: Ms. Vane Siu Ling Linda is Mr. Gary Chan's spouse and is deemed to be interested in the 495,000,000 Shares in which Mr. Gary Chan is interested for the purpose of the SFO.

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

The aggregate amount of remuneration paid to our Directors by our Group in respect of the three financial years ended 31 March 2016 and the four months ended 31 July 2016 were approximately HK\$25.6 million, HK\$3.5 million, HK\$10 million and 1.1 million, respectively.

- (a) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$5.9 million.
- (b) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<i>Executive Directors</i>	
Mr. Gary Chan	1,768,000
Mr. Edmond Chan	1,586,000
Ms. Amanda Chan	868,400
<i>Non-executive Director</i>	
Mr. Simon Chan	858,000
<i>Independent non-executive Directors</i>	
Mr. Siu Miu Man	240,000
Mr. Li Hon Hung, <i>MH, JP</i>	240,000
Mr. Cheng Chi Hung	240,000

- (c) Each of our Directors has entered into a service contract with our Company for a term commencing from the Listing Date and ending on the date on which (i) the Company's annual general meeting, which approves its financial results for the second full financial year commencing after the Listing Date, is concluded or (ii) the third anniversary of the Listing Date, whichever is earlier, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

4. Agency fees or commission received

Save as disclosed in the section headed "Underwriting" in this prospectus and this appendix, none of our Directors or the experts named in the paragraph headed "(E) Other information – 7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 26 to the Accountant's Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “(E) Other information – 7. Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “(E) Other information – 7. Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective close 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, the five largest subcontractors or the five largest suppliers of our Group.

(D) SHARE OPTION SCHEME**(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	24 October 2016, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 24 October 2016:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any business day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.0.

(v) Maximum number of Shares

- (aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares (assuming the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme) in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 66,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 66,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.

(cc) Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.

(dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

(aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

- (i) representing in aggregate over 0.1% of our Shares in issue; and
- (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by our Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

(aa) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 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 our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that our Shares issued as a result of the exercise of options

hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme..

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 66,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

(E) OTHER INFORMATION**1. Tax and other indemnities**

Mr. Gary Chan, Mr. Edmond Chan, Ms. Amanda Chan, Ms. Chrissy Chan and Creative Elite (collectively, the “Indemnifiers”) have, under a deed of indemnity referred to in the paragraph headed “(B) Further information about our business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things,

- (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other 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;
- (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional;
- (c) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with:
 - (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional;
 - (ii) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional; and

- (iii) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the liability arises in the ordinary course of business of our Group after 31 July 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, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group as at the Latest Practicable Date.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares to be issued upon exercise of any options to be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay a sponsor’s fee of HK\$3.9 million to the Sole Sponsor in respect of the Share Offer, and will reimburse the Sole Sponsor for their expenses properly incurred in connection with the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$43,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Dakin Capital Limited	A licensed corporation under the SFO to engage in Type 6 (advising on corporate finance) regulated activity as defined under the SFO
BDO Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Rato Ling Lei & Cortés	Macau legal advisers
Ipsos Limited	Industry Consultant
Mr. Chan Chung	Barrister-at-law of Hong Kong

7. Consents of experts

Each of Dakin Capital, BDO Limited, Conyers Dill & Pearman, Rato Ling Lei & Cortés, Ipsos Limited and Mr. Chan Chung has given and has not withdrawn its/his written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Share Registrar

The register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

10. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 July 2016 (being the date to which the latest audited combined financial statements of our Group were made up).

12. Particulars of Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	Creative Elite Global Limited, a company incorporated in BVI
Incorporation date:	28 January 2016
Description:	Investment holding
Registered address:	P.O. Box 957 Offshore Incorporations Centre Road Town Tortola British Virgin Islands
Number of Sale Shares to be sold:	50,000,000

Creative Elite is legally and beneficially owned as to 45%, 28%, 18% and 9% by Mr. Gary Chan (our executive Director and chairman), Mr. Edmond Chan (our executive Director and chief executive officer), Ms. Amanda Chan (our executive Director) and Ms. Chrissy Chan, respectively.

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
 - (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save as disclosed in the section headed “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “(E) Other information – 7. Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.

- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name (which has been entered on the register of companies in the Cayman Islands as evidenced by our Company's certificate of incorporation) by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

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).

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 section headed “Statutory and general information – (E) Other Information – 7. Consents of experts” in Appendix IV to this prospectus; (c) copies of the material contracts referred to in the section headed “Statutory and general information – (B) Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus; and (d) the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of D. S. Cheung & Co., at 29/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountant’s report of our Group dated the date of this prospectus prepared by BDO Limited, the texts of which are set out in Appendix I to this prospectus;
- (c) the audited financial statements of Simon & Sons, Vanbo Engineering, Good Idea and New Champion for the Track Record Period;
- (d) the report on unaudited pro forma financial information prepared by BDO Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the material contracts referred to in the section headed “Statutory and general information – (B) Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (g) the Share Option Scheme;
- (h) the written consents referred to in the section headed “Statutory and general information – (E) Other Information – 7. Consents of experts” in Appendix IV to this prospectus;
- (i) the Companies Law;

- (j) the legal opinion prepared by Rato Ling Lei & Cortés summarising certain aspects of Macau laws applicable to our Group;
- (k) the letter of advice prepared by the Legal Counsel dated the date of this prospectus;
- (l) the Ipsos Report; and
- (m) a statement of particulars of the Selling Shareholder.

上諭集團控股有限公司
SHEUNG YUE GROUP HOLDINGS LIMITED