

Yuk Wing Group Holdings Limited

煜榮集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1536

PUBLIC OFFER



Sole Sponsor

 金融有限公司
OCTAL Capital Limited

Joint Bookrunners and Joint Lead Managers

Opus Capital Limited
創富融資有限公司


Supreme China Securities Limited
智華證券有限公司

 金融有限公司
OCTAL Capital Limited

IMPORTANT

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

Yuk Wing Group Holdings Limited

煜榮集團控股有限公司

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PUBLIC OFFER

Number of Offer Shares : 100,000,000 Shares (comprising 80,000,000 New Shares and 20,000,000 Sale Shares)
Maximum Offer Price : HK\$1.2 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.1 per Share
Stock code : 1536

Sole Sponsor



Joint Bookrunners and 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 and Available for Inspection” in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or around Friday, January 6, 2017 and, in any event, not later than Monday, January 9, 2017. The Offer Price will not be more than HK\$1.2 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share, unless otherwise announced. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.2 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$1.2 per Offer Share.

If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, January 9, 2017, the Public Offer will not proceed and will lapse.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.0 to HK\$1.2 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the Standard (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.yukwing.com. Further details are set forth in the sections headed “Structure of the Public Offer” and “How to Apply for Offer Shares” in this prospectus.

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

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreement to subscribe, and to procure subscribers for, the Offer Shares, are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed “Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination” in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. There will be no public offer of the securities of the Company in the United States.

December 30, 2016

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Public Offer, we will issue an announcement in Hong Kong on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.yukwing.com.

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, January 5, 2017
Application lists open ⁽³⁾	11:45 a.m. on Thursday, January 5, 2017
Latest time to lodge WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, January 5, 2017
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, January 5, 2017
Application lists close ⁽³⁾	12:00 noon on Thursday, January 5, 2017
Expected Price Determination Date ⁽⁵⁾	Friday, January 6, 2017
Announcement of the final Offer Price, the level of applications in the Public Offer and the basis of allocation of the Offer Shares to be published in the Standard (in English) and the Hong Kong Economic Times (in Chinese), our Company's website at www.yukwing.com ⁽⁶⁾ and the website of the Stock Exchange at www.hkexnews.hk on	Tuesday, January 10, 2017
Results of allocations in the Public Offer (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Offer Shares" in this prospectus from	Tuesday, January 10, 2017
Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function from	Tuesday, January 10, 2017
Dispatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ⁽⁷⁾	Tuesday, January 10, 2017

EXPECTED TIMETABLE⁽¹⁾

Dispatch/collection of refund cheques and **HK eIPO White Form**
e-Auto Refund payment instructions in respect of wholly
or partially successful applications (if applicable) or wholly
or partially unsuccessful applications pursuant to
the Public Offer on or before⁽⁸⁾ Tuesday, January 10, 2017

Dealings in the Shares on the Stock Exchange expected to
commence at 9:00 a.m. on Wednesday, January 11, 2017

Notes:

- (1) All dates and times refer to Hong Kong dates and times. Details of the structure of the Public Offer, including its conditions, are set out in the section headed “Structure of the Public 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 a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 5, 2017, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for Offer Shares — C. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Offer Shares — A. Applications for 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 Friday, January 6, 2017 or before Monday, January 9, 2017. If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, January 9, 2017, the Public Offer will not proceed and will lapse.
- (6) None of the website or any information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on Wednesday, January 11, 2017 provided that the Public Offer has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Grounds for termination” 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.
- (8) Refund cheques or e-Auto Refund payment instructions will be issued in respect of all applications, if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure of the Public Offer — Conditions of the Public Offer” in this prospectus, or if all such conditions of the Public Offer are fulfilled, in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications if the Offer Price as finally determined is less than the price per Offer Share payable on application.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Public Offer” and “How to Apply for Offer Shares” in this prospectus for details of the structure of the Public Offer, including the conditions of the Public Offer, and the procedures for application for the Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Public Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Public 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 in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering 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 authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Public Offer.

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SUMMARY

This summary provides an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the leading manufacturer and supplier of DTH rockdrilling tools in Hong Kong, with a market share in Hong Kong by revenue of 59.2% in 2015 according to the Frost & Sullivan Report. In addition, we sell piling and drilling machineries and rockdrilling equipment, which are sourced from external suppliers.

We provide technical rockdrilling solutions to our customers with a variety of rockdrilling needs. We design, manufacture and sell DTH rockdrilling tools for use in building foundation and piling on construction sites, mining and quarrying, water well drilling, utility linings, micro-tunneling and overburden drilling in a variety of geological formations and at considerable depths. A majority of the equipment and machinery which we supply to our customers are our self-designed DTH rockdrilling tools which we manufacture, and the rest are sourced from third parties for our customers depending on their rockdrilling needs.

We manufacture our self-designed DTH rockdrilling tools at our factory located at Shunde District, the PRC. We procure the major raw materials (primarily alloy steel and tungsten carbide) for our self-designed and manufactured DTH rockdrilling tools principally from five suppliers in the PRC. We also source third-party produced piling and drilling machineries and rockdrilling equipment from external suppliers and manufacturers mainly located in Japan, the PRC, Italy, Korea and Australia, which we offer to our customers as part of our technical rockdrilling solutions.

During the Track Record Period, whilst a substantial portion of our revenue has been generated from our direct sales of our products to customers in Hong Kong and Macau, an increasing portion of our revenue has been generated from exports of DTH rockdrilling tools through our overseas distributors. We commenced overseas sales of our products in 2013 and entered into formal exclusive distribution arrangements with three distributors located in Finland, Japan and India in 2014, 2015 and 2016, respectively. There has been growing international demand for DTH rockdrilling tools from new markets in India and Canada. In an effort to meet demand from these markets, we have begun to extend our sales and marketing efforts in those regions and plan to develop partnerships with local distributors.

For the three years ended March 31, 2016 and the three months ended June 30, 2016, our revenue amounted to HK\$150.6 million, HK\$126.6 million, HK\$141.7 million and HK\$27.8 million, while our profit for the year attributable to owners of the Company for each of the years ended March 31, 2014, 2015 and 2016 amounted to HK\$18.9 million, HK\$21.1 million and HK\$27.0 million, respectively and our loss attributable to owners of the Company for the three months ended June 30, 2016 amounted to HK\$3.0 million. We recorded a net loss attributable to owners of the Company of HK\$3.0 million for the three months ended June 30, 2016 primarily due to listing expenses incurred of approximately HK\$9.6 million.

The major processes involved in our business model includes: (a) sales and marketing and ordering process; (b) manufacturing and sourcing of products; and (c) delivery and aftersales services. Please also refer to the section headed “Our Business — Our Business Model” in this prospectus.

SUMMARY

OUR PRODUCTS

Our self-designed and manufactured DTH rockdrilling tools can be categorized into three main categories: (a) down-the-hole hammers; (b) casing systems (comprising driver bits and casing bits); and (c) other miscellaneous products including button bits and bit openers, as well as our newly developed products, drill pipes, cluster drills and casing tubes. We also source: (x) rockdrilling equipment; and (y) piling and drilling machineries from our external suppliers for trading to customers as part of our technical rockdrilling solutions.

Since we typically source business through direct customer interfacing, pricing for many of our products is determined through individual negotiations with our customers as part of our ordering process. In pricing our products, we take into consideration the prices of comparable products offered by our competitors, degree of saturation of the current market, market trends, production costs, individual customer specifications, our relationship with a particular customer and the location of our customers. During the Track Record Period, our business was not affected by seasonality.

The following table sets out the average selling prices⁽¹⁾ by product type for the Track Record Period:

	For the year ended March 31,			For the three months ended
	2014	2015	2016	June 30,
	HK\$	HK\$	HK\$	2016 HK\$
Down-the-hole Hammers				
Light	30,224	30,809	29,827	31,529
Medium	64,086	63,041	59,139	66,341
Heavy	188,453	163,613	164,772	149,263
Casing Systems⁽²⁾				
Light	20,485	25,385	26,136	29,002
Medium	46,102	58,131	58,424	64,000
Heavy	104,226	105,647	112,912	94,123
Button Bits and Bit Openers				
Light	6,475	6,054	7,487	7,539
Medium	24,604	26,653	31,336	17,353
Heavy	45,619	51,660	48,704	55,536

Notes:

- (1) The average selling prices set out in the table above have been calculated on the following basis: the average of the revenue generated by the relevant type of DTH rockdrilling tool in the relevant year/period during the Track Record Period divided by the sales volume of the relevant type of DTH rockdrilling tool for the respective corresponding year/period.
- (2) The average selling prices of casing systems set out in the table above have been calculated assuming each casing system comprises one unit of driving bit and one unit of casing bit.
- (3) Each product category as set out in the table above includes a variety of products with different sizes within the product range which sell at different prices and therefore the average selling prices for each year/period may be affected by the actual products sold during the year/period.

SUMMARY

During the Track Record Period, we manufactured and sold the following DTH rockdrilling tools (sales may include that of finished goods stored as inventory and produced in previous periods):

	2014		Year ended March 31, 2015		2016		Three months ended June 30, 2016	
	<i>Sets</i>		<i>Sets</i>		<i>Sets</i>		<i>Sets</i>	
	<i>Manufactured</i>	<i>Sold</i>	<i>Manufactured</i>	<i>Sold</i>	<i>Manufactured</i>	<i>Sold</i>	<i>Manufactured</i>	<i>Sold</i>
Down-the-hole Hammers	74	72	118	102	141	143	48	41
Casing Systems, comprising:								
Driver Bits	773	776	600	571	633	679	179	181
Casing Bits	12,672	13,714	11,197	11,229	11,727	12,567	1,618	1,644
Button Bits and Bit Openers	340	367	306	303	311	334	80	78

Our manufacturing facilities had utilization rates of 98.95%, 79.11%, 86.21% and 72.47% for each of the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. Our utilization rate for our manufacturing facilities for the three months ended June 30, 2016 decreased to 72.47% due to a lower demand for our self-manufactured products during this period. Please also refer to the section headed “Our Business — Our Business Model — Manufacturing — Production Capacity and Utilization Rates” in this prospectus.

OUR SUPPLIERS

We select our raw materials suppliers based on product quality, service and delivery time. We conduct sample inspections of major raw materials we receive to ensure that they meet our specifications as well as our inhouse quality standards.

The principal raw materials we use in the manufacturing of our DTH rockdrilling tools include alloy steel and tungsten carbide. We source these materials principally from five suppliers in the PRC, who are independent third parties. For the three years ended March 31, 2016 and the three months ended June 30, 2016, the purchase of raw materials for production of DTH rockdrilling tools constituted our largest cost, which together accounted for approximately 31.2%, 44.1%, 36.6% and 32.8% of our total cost of sales, respectively. We generally do not enter into long-term sale and purchase agreements with our suppliers of raw materials and we normally place purchase orders with our suppliers for raw materials based on our production needs. The raw materials provided by our suppliers must conform with the specifications and quality standards requested by us. Our quality control staff inspect the raw materials upon delivery. Our suppliers shall arrange for re-delivery or exchange of goods if the raw materials are defective.

We source piling and drilling machineries and rockdrilling equipment from suppliers mainly located in Japan, the PRC, Italy, Korea and Australia, who are independent third parties. We generally do not enter into long-term sale and purchase agreements with our suppliers of piling and drilling machineries and rockdrilling equipment and we normally place purchase orders with these suppliers based on our customers’ needs. Under the sales orders with such suppliers, we generally make payment upon the receipt of the goods.

For the three years ended March 31, 2016 and the three months ended June 30, 2016, we incurred costs of approximately HK\$59.5 million, HK\$54.6 million, HK\$48.0 million and HK\$8.8 million, respectively, for purchases of raw materials, machineries or equipment from suppliers.

OUR CUSTOMERS

We have a diversified customer base of over 130 customers, including certain foundation companies listed on the Hong Kong Stock Exchange. Our top five customers during the Track Record Period were independent third parties.

SUMMARY

We primarily sell our DTH rockdrilling tools through our sales force to our customers in Hong Kong and Macau. We also sell our products through independent third party distributors to overseas markets so as to expand our market presence and facilitate communication with end users. We also sell piling and drilling machineries and rockdrilling equipment which we source from external suppliers to customers in Hong Kong and Macau. We generally do not enter into long-term sale and purchase agreements with our customers.

During the Track Record Period, we mainly sold our products to our customers in Hong Kong and Macau, and through our distributors to end-customers in Scandinavia and Japan. The following table sets forth our revenue by geographic area, in absolute amount and as a percentage of total revenue, for the periods indicated.

	For the year ended March 31,						For the three months ended June 30,			
	2014		2015		2016		2015		2016	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
	(unaudited)									
Hong Kong	134,331	89.2%	114,819	90.7%	125,567	88.6%	28,323	92.7%	24,246	87.3%
Macau	6,238	4.1%	7,131	5.6%	5,009	3.5%	1,076	3.5%	2,249	8.1%
Scandinavia	9,747	6.5%	3,406	2.7%	4,545	3.2%	1,159	3.8%	1,052	3.8%
Japan	—	—	—	—	6,611	4.7%	—	—	231	0.8%
Others	255	0.2%	1,264	1.0%	12	0.0%	—	—	—	—
Total Revenue	150,571	100.0%	126,620	100.0%	141,744	100.0%	30,558	100.0%	27,778	100.0%

OUR DISTRIBUTORS

We leverage our network of independent third party distributors to expand the breadth and depth of our overseas market presence and facilitate communication with end users. We believe that the use of distributors is generally in line with industry practice, according to the Frost & Sullivan Report. During the Track Record Period, we sold our DTH rockdrilling tools to two distributors we engaged, located in Finland and Japan, covering sales to Scandinavia and Japan, respectively. In May 2016, we engaged an exclusive distributor to sell our products to India.

We select distributors based on their business qualifications and marketing capabilities, such as distribution network coverage, quality, reputation, number of personnel, cash flow conditions, creditworthiness, logistics, and transport capabilities, their capabilities in customer management and their ability to provide aftersales technical support to the end users. Our sales personnel conduct ongoing evaluations of each distributor's performance including their service quality, sales activities and whether they are able to provide accurate service and product information to end customers. We evaluate and appraise the performance of our distributors and their compliance record with the terms and conditions under the distribution agreements. As of the Latest Practicable Date, we were not aware of any potential abuses or improper use of our brand name by our distributors which could adversely affect our reputation, business operation, and financial condition. During the Track Record Period, we had not relied on any single distributor for the distribution of our products.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have distinguished us from our competitors, contributed to our success and are critical to our future prospects: (a) we offer a wide range of high quality and tailor made products; (b) we offer one-stop technical solutions and support to our customers; (c) we have relatively short production and delivery lead times; (d) we are a market leader in the DTH rockdrilling tool industry in Hong Kong with a loyal customer base; and (e) we have an experienced and dedicated management team.

SUMMARY

BUSINESS STRATEGIES

Our business objectives are to deepen our penetration of the Hong Kong DTH rockdrilling tool market, to extend our international platform through partnering with local distributors to develop new markets and increase sales, to invest in a new manufacturing facility in order to introduce new self-designed and manufactured products and enhance our manufacturing capabilities, as well as to expand our research and development team.

OUR INDUSTRY AND COMPETITORS

In Hong Kong, we maintained our leading market position in the DTH rockdrilling tool industry with a market share by revenue of approximately 59.2% in the year of 2015 according to the Frost & Sullivan Report. During the Track Record Period, we had over 130 customers, including certain foundation companies listed on the Hong Kong Stock Exchange. Our major customers in Hong Kong and Macau are foundation companies and contractors with whom we have established long-term and stable relationships.

DTH rockdrilling tool industry in Hong Kong was dominated by the top five players with a high market concentration at 94.3%, representing a revenue of HK\$162.5 million in 2015 with revenues ranging from approximately HK\$7.2 million to HK\$102.1 million. Among the top five DTH rockdrilling tool providers in Hong Kong, our Group offers the highest number of key DTH rockdrilling tools and the shortest average shipment time for self-manufactured products. Please also refer to the section headed “Industry Overview” in this prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

You should read the summary of historical consolidated financial statements set forth below in conjunction with our consolidated financial information included in the Accountants’ Report set out in Appendix I to this prospectus, together with the accompanying notes, which have been prepared in accordance with HKFRS. The summary of the consolidated financial information for the period or as of the dates indicated set forth below is derived from our consolidated financial information, including the notes thereto, which are set out in Appendix I to this prospectus.

The Group held 50% equity interest in Norry Tech and Tristate International and further acquired an additional 1% interest in Norry Tech and Tristate International on May 30, 2016 and May 31, 2016, respectively. For the reasons as further set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus, we have consolidated the results of Norry Tech and Tristate International into the Group’s financial statements during the Track Record Period.

SUMMARY

Summary of selected items of our Consolidated Statements of Profit or Loss

	For the year ended March 31,			For the three months ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	150,571	126,620	141,744	30,558	27,778
Gross profit	51,764	54,352	63,221	13,427	12,673
Profit (loss) for the year/period attributable to:					
Owners of the Company	18,887	21,141	26,974	6,252	(2,969)
Non-controlling interests	6,218	5,234	8,278	1,421	471
	25,105	26,375	35,252	7,673	(2,498)

Revenue Analysis

The following table reflects the percentage of our total revenue contributed by each product type for the periods indicated.

	Year ended March 31,						Three months ended June 30,			
	2014		2015		2016		2015		2016	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
							(unaudited)			
(a) Self-designed and manufactured DTH rockdrilling tools										
Down-the-hole hammers	10,701	7.1%	11,912	9.4%	14,935	10.5%	2,998	9.8%	3,904	14.1%
Casing systems	85,143	56.6%	73,900	58.4%	87,469	61.8%	20,530	67.2%	15,443	55.6%
Miscellaneous products	9,390	6.2%	8,582	6.8%	9,892	7.0%	2,276	7.4%	2,243	8.0%
Subtotal:	105,234	69.9%	94,394	74.6%	112,296	79.3%	25,804	84.4%	21,590	77.7%
(b) Products sourced from external suppliers										
Piling and drilling machineries	19,787	13.1%	17,617	13.9%	15,373	10.8%	1,557	5.1%	577	2.1%
Rockdrilling equipment	25,550	17.0%	14,609	11.5%	14,075	9.9%	3,197	10.5%	5,611	20.2%
Subtotal:	45,337	30.1%	32,226	25.4%	29,448	20.7%	4,754	15.6%	6,188	22.3%
Total:	150,571	100.0%	126,620	100.0%	141,744	100.0%	30,558	100.0%	27,778	100.0%

SUMMARY

Gross Profit and Gross Profit Margin Analysis

Gross profit represents our revenue less cost of sales. Gross profit margin represents gross profit as a percentage of revenue. The following table sets out the gross profit margin by segment for the Track Record Period.

	For the year ended March 31,			For the three months ended June 30,	
	2014	2015	2016	2015	2016
				(unaudited)	
Manufacturing and trading of DTH rockdrilling tools	33.4%	47.5%	47.2%	45.4%	47.6%
Trading of piling and drilling machineries	39.1%	32.3%	34.9%	49.3%	31.5%
Trading of rockdrilling equipment	35.0%	26.3%	34.5%	29.4%	39.3%

The following table sets out the gross profit by product type for the Track Record Period.

	For the year ended March 31,			For the three months ended June 30,
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Down-the-hole Hammers				
Light	47	128	673	297
Medium	373	1,158	588	166
Heavy	2,326	3,009	3,974	986
Total	<u>2,746</u>	<u>4,295</u>	<u>5,235</u>	<u>1,449</u>
Casing System, comprising:				
<i>Driver Bits</i>				
Light	4,168	5,049	6,289	1,552
Medium	823	2,841	1,771	54
Heavy	7,528	8,647	12,760	3,185
Total	<u>12,519</u>	<u>16,537</u>	<u>20,820</u>	<u>4,791</u>
<i>Casing Bits</i>				
Light	4,344	4,817	4,675	1,392
Medium	1,232	2,665	1,625	6
Heavy	11,796	13,209	16,827	1,650
Total	<u>17,372</u>	<u>20,691</u>	<u>23,127</u>	<u>3,048</u>
Button Bits and Bit Openers				
Light	343	343	428	111
Medium	544	528	503	118
Heavy	977	1,947	2,535	558
Total	<u>1,864</u>	<u>2,818</u>	<u>3,466</u>	<u>787</u>

SUMMARY

Summary Consolidated Statements of Financial Position

	2014	As of March 31, 2015	2016	As of June 30, 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Total non-current assets	13,477	15,489	13,363	13,246
Total current assets	104,345	98,274	115,798	129,675
Total assets	117,822	113,763	129,161	142,921
LIABILITIES				
Total non-current liabilities	133	308	172	158
Total current liabilities	53,986	43,221	32,913	50,377
Total liabilities	54,119	43,529	33,085	50,535
TOTAL EQUITY				
Equity attributable to owners of the Company	63,703	70,234	96,076	92,386
Non-controlling interests	47,768	52,988	71,294	68,011
	15,935	17,246	24,782	24,375

Summary Consolidated Statements of Cash Flows

	For the year ended March 31,			For the three months ended June 30,	
	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>
				(unaudited)	
Net cash from operating activities	15,177	19,893	28,386	5,695	17,298
Net cash (used in) from investing activities	(7,560)	(12,166)	2,827	3,471	(953)
Net cash (used in) from financing activities	(11,433)	(15,566)	(16,201)	(11,740)	5,658
Net (decrease) increase in cash and cash equivalents	<u>(3,816)</u>	<u>(7,839)</u>	<u>15,012</u>	<u>(2,574)</u>	<u>22,003</u>
Operating cash flows before movements in working capital	31,523	34,593	44,963	9,607	(1,546)

SUMMARY

Key Financial Ratios

	As of or for the year ended March 31,			As of or for the three months ended
	2014	2015	2016	June 30, 2016
Gross Profit Margin	34.4%	42.9%	44.6%	45.6%
Net Profit Margin (adjusted for Listing expenses)	16.7%	20.8%	25.6%	25.5%
Return on Equity	39.4%	37.6%	36.7%	N/A
Return on Total Assets	21.3%	23.2%	27.3%	N/A
Current Ratio	1.9	2.3	3.5	2.6
Debt to Equity Ratio	84.7%	61.5%	34.3%	54.5%
Gearing Ratio ⁽¹⁾	17.8%	24.0%	6.7%	19.7%

Notes:

- (1) Calculated by dividing interest-bearing borrowings by total equity as of the end of the respective date and multiplied by 100%.
- (2) Please also refer to the section headed “Financial Information — Summary of Key Financial Ratios” in this prospectus.

WORKING CAPITAL MANAGEMENT

In our business operations, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in possible cash flow mismatch. The extent of such cash flow mismatch is illustrated by the differences between our creditors’ turnover days and our debtors’ turnover days. We have adopted various measures to manage our liquidity position in view of such possible cash flow mismatch. Please also refer to the section headed “Financial Information — Working Capital Management” in this prospectus.

SHAREHOLDERS’ INFORMATION

As of the Latest Practicable Date, the Company was wholly-owned by Hang Yip, and in turn held as to 80% by Mr. Kenneth Chan and 20% by Mr. Alan Chan. Immediately following the Public Offer, the Company will be held as to approximately 73.7% by Hang Yip, and thus each of Mr. Kenneth Chan, Mr. Alan Chan and Hang Yip will continue to be our Controlling Shareholders upon Listing.

DIVIDENDS

We declared and paid dividends of approximately HK\$12.0 million, HK\$24.0 million, HK\$7.9 million and nil to shareholders and non-controlling shareholders for the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. Other than dividends of HK\$29.0 million declared in July 2016 to shareholders and non-controlling shareholders with reference to the retained profits as of March 31, 2016 and which have been fully paid, we have not declared or paid any dividends since June 30, 2016 and up to the Latest Practicable Date. Our Group currently does not have a fixed dividend policy. Dividends to be declared and paid in the future will be subject to our Directors’ discretion and will depend on our financial conditions, results of operations, cash availability, statutory and regulatory restrictions in relation thereto, future prospects, and any other factors that our Directors may consider relevant. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the relevant laws.

SUMMARY

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have recognized sales amounting to approximately HK\$72.1 million, which is expected to be settled prior to March 31, 2017 based on the terms of the sales invoices. We participated in the Bauma exhibition in Munich, Germany in April 2016 and have subsequently received enquiries from potential customers.

Our Directors confirm that, since June 30, 2016, there has been no material change in our business, results, operations and financial or trading position, and no event has occurred that materially affects the information shown in the Accountants' Report set out in Appendix I to this prospectus. However, the Group's future financial performance may be significantly affected by, among other things, the incurrence of Listing expenses, as well as additional business promotion and rental expenses, and additional depreciation arising from investment of the proceeds from the Public Offer in fixed assets. For further details, please refer to the paragraph headed "Risk Factors — We may experience a significant deterioration in financial performance for the years ending March 31, 2017 and 2018 which is mainly attributable to the Listing expenses and certain other factors arising from the application of the proceeds from the Public Offer." in this prospectus.

Historically, we have traded both brand new and second hand piling and drilling machineries which we sourced from external suppliers, including from the PRC and Japan. With the introduction of the NRMM Regulation in Hong Kong, which came into operation in the second half of 2015, the Development Bureau in Hong Kong has set out an implementation plan on February 8, 2015 which requires non-road mobile machinery, including excavators and crawler cranes, to be sold or leased in Hong Kong or used in specified activities to meet a set of emission standards and approved by the Development Bureau. As a result, we started to import brand new piling and drilling machineries for sales to our customers in Hong Kong including from our PRC Machineries Supplier pursuant to the PRC Distributor Agreement and our Italy Machineries Supplier pursuant to the Italy Agency Agreement, and have sourced such machineries from both our PRC Machineries Supplier and our Italy Machineries Supplier during the Track Record Period, as we anticipate such customers will need to replace their current machines which may not meet the requisite standards with approved machinery. Moreover, following the introduction of the NRMM Regulation in 2015, we have seen demand for second hand machineries decrease, and expect such demand to continue to decrease.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Public Offer. Listing expenses to be borne by us (excluding fees payable by the Selling Shareholder) are estimated to be approximately HK\$29.7 million, of which approximately HK\$8.7 million is directly attributable to the issue of Shares to the public and to be capitalized, and approximately HK\$21.0 million has been or is expected to be reflected in our consolidated statements of profit and loss and other comprehensive income. HK\$10.6 million of the listing expenses in relation to services performed has been reflected in our consolidated statements of profit and loss and other comprehensive income during the Track Record Period, and the remaining amount of approximately HK\$10.4 million is expected to be reflected in our consolidated statements of profit and loss and other comprehensive income subsequent to the Track Record Period.

SUMMARY

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. These risks can be categorized as: (a) risks relating to our business and industry; (b) risks relating to Hong Kong; (c) risks relating to the PRC; and (d) risks relating to the Public Offer. These risks include but are not limited to the following: (i) the majority of our customers operate in the volatile Hong Kong foundation industry, and their demand for our products may be affected by many market or business factors; (ii) fluctuations in raw material prices and rising labor costs in the PRC may adversely affect our business; and (iii) we depend on third parties to deliver certain raw materials and services that meet our quality standards in a timely manner to manufacture our products. A detailed discussion of all the risk factors involved is set forth in the section headed “Risk Factors” in this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares.

REGULATORY MATTERS

We were involved in certain regulatory non-compliance incidents during the Track Record Period in relation to the failure to fully pay and make sufficient contributions to the required standard in respect of the housing provident fund for some of our employees in the PRC; and the failure by certain Hong Kong subsidiaries to timely submit tax returns. Please also refer to the paragraph headed “Our Business — Legal Proceedings and Legal Compliance” in this prospectus.

PUBLIC OFFER STATISTICS

The Public Offer involves the issuance of 80,000,000 New Shares. The following table sets out certain offering related data, assuming that: (a) the Public Offer has been completed; and (b) 380,000,000 Shares are expected to be in issue immediately after completion of the Public Offer, and the details of which are set out in “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus.

	Based on minimum indicative Offer Price of HK\$1.0	Based on maximum indicative Offer Price of HK\$1.2
Market capitalization of Shares	<u>HK\$380,000,000</u>	<u>HK\$456,000,000</u>
Unaudited pro forma adjusted consolidated net tangible assets per Share	<u>HK\$0.34</u>	<u>HK\$0.38</u>

Note: The unaudited pro forma adjusted net tangible assets do not take into account a dividend of HK\$23.12 million declared to the owners of the Company in July 2016. Had (i) the dividend, and (ii) estimated net proceeds from the Public Offer at the Indicative Offer Price range of lower and upper limit of HK\$1.0 and HK\$1.2 per Offer Share, been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.28 and HK\$0.32, respectively.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.1 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK\$1.0 and HK\$1.2 per Offer Share), we estimate that we will receive net proceeds of approximately HK\$83.6 million from the Public Offer after deducting the underwriting commissions and other estimated expenses in connection with the Public Offer. We intend to use the net proceeds from the Public Offer for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 57%, or HK\$48.0 million, will be invested in a new manufacturing facility, including (i) the installation of additional new production lines consisting of machinery and equipment for the manufacturing of our new products; (ii) the installation of heat treatment facilities; (iii) the rental of new premises for our new factory and installation of necessary fittings and leasehold improvements; and (iv) the increase of our manpower;
- approximately 5%, or HK\$3.9 million, will be used for research and development activities, including supporting the development of our new products, specifically, for the recruiting additional research and development engineers;
- approximately 11%, or HK\$9.6 million, will be used for participation in overseas exhibition and promotions, including recruiting related sales staff and advertisements in overseas industry journals and magazines;
- approximately 10%, or HK\$8.2 million, will be used for the purchase of brand new drilling machineries, which will be compliant with the new regulations imposed under the NRMM Regulation, for demonstration and showcasing to our customers from whom we expect increased demand for such compliant machinery;
- approximately 5%, or HK\$3.8 million, will be used for increasing manpower in Hong Kong, including recruiting additional administrative staff for factory production control and finance staff;
- approximately 4%, or HK\$3.2 million, will be used for renting a new office space for our Hong Kong headquarters; and
- the remaining amount of approximately HK\$6.9 million, representing approximately 8% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

Please also refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

DEFINITIONS

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

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Applications Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company conditionally adopted on December 15, 2016, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“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, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Cayman Companies Law”	the Companies Law of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not include Hong Kong, Macau and Taiwan

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time
“Company Law of the PRC”	the Company Law of the PRC (《中華人民共和國公司法》)
“Company”, “our Company”, “the Company”, “we” or “us”	Yuk Wing Group Holdings Limited 煜榮集團控股有限公司, a company incorporated in the Cayman Islands with limited liability on March 17, 2016
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, means each of Mr. Kenneth Chan, Mr. Alan Chan and Hang Yip
“Criminal Law”	the Criminal Law of the PRC (《中華人民共和國刑法》)
“Deed of Non-competition”	a deed of non-competition entered into by each of our Controlling Shareholders containing the undertakings as described in the paragraph headed “Relationship with our Controlling Shareholders — Deed of Non-Competition”, in favor of our Company and our subsidiaries dated December 20, 2016
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)
“EUR”	Euros, the lawful currency for the time being of the eurozone, which consists of 19 of the 28 member states of the European Union
“Executive Director(s)”	executive Director(s)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Frost & Sullivan Report”	the market research report on the DTH rockdrilling tool industry prepared by Frost & Sullivan and commissioned by us
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider

DEFINITIONS

“Group”, “our Group”, “the Group”, “we” or “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HK eIPO White Form”	the application for Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hang Wing”	Hang Wing Holdings Limited 鐳榮控股有限公司, a BVI business company incorporated in the BVI with limited liability on March 16, 2016 and a wholly-owned subsidiary of the Company
“Hang Yip”	Hang Yip Company Limited 鐳業有限公司, a BVI business company incorporated in the BVI with limited liability on March 16, 2016, owned as to 80% by Mr. Kenneth Chan and 20% by Mr. Alan Chan and is one of our Controlling Shareholders
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Non-executive Director(s)”	independent non-executive Director(s)
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules

DEFINITIONS

“Italy Agency Agreement”	our agency agreement entered into with our Italy Machineries Supplier
“Italy Machineries Supplier”	an Italian manufacturer who appointed us as the exclusive distributor in Hong Kong and Macau of all products manufactured by them pursuant to the Italy Agency Agreement
“JPY”	Japanese yen, the lawful currency for the time being of Japan
“Japan distributor”	our exclusive distributor for our products in Japan with whom we entered into a distributor agreement in April 2015
“Joint Bookrunners” and “Joint Lead Managers”	Opus Capital Limited, Supreme China Securities Limited and Octal Capital Limited
“Latest Practicable Date”	December 20, 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Wednesday, January 11, 2017 on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MPF”	mandatory provident fund
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Maxa RockDrills”	MAXA RockDrills Limited, formerly known as Century Honour Limited 貫誠有限公司 (with its Chinese name renamed as 震東電器有限公司), a company incorporated in Hong Kong with limited liability on September 15, 2000 and is an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company (as amended from time to time), adopted on December 15, 2016, a summary of which is set out in Appendix III to this prospectus
“Mr. Alan Chan”	Mr. Kin Choi Chan, one of our Controlling Shareholders and an Executive Director
“Mr. Eric Chan”	Mr. Tat Choi Chan, an Executive Director
“Mr. Gary Chan”	Mr. Lap Wai Gary Chan, our connected person by virtue of being the shareholder of 49% interest in Tristate International (which is held by Ms. Siu Ling Linda Vane on trust for him) and Norry Tech respectively
“Mr. Kenneth Chan”	Mr. Leung Choi Chan, one of our Controlling Shareholders and an Executive Director
“NRMM Regulation”	Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)
“New Shares”	the 80,000,000 Shares being offered by the Company for subscription under the Public Offer
“Non-Compete Period”	the period during which: (i) Mr. Kenneth Chan, Mr. Alan Chan and Hang Yip (or any one of them) and/or its/their respective associates are and remain entitled to jointly or severally exercise or control the exercise of 30 per cent or more of the voting power at a general meeting of the Company or is otherwise a controlling shareholder (as defined under the Listing Rules); and (ii) the Shares are and remain listed on the Stock Exchange
“Norry Tech”	佛山市順德區萊利達工程設備有限公司 (Norry Tech Engineering Equipment Limited), a company established in the PRC with limited liability on October 16, 2007, owned as to 51% by Tristate Hong Kong and 49% by Mr. Gary Chan, an independent third party (other than being a shareholder of Norry Tech and Tristate International), and is an indirect non wholly-owned subsidiary of our Company
“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%) of not more than HK\$1.2 and expected to be not less than HK\$1.0, at which Offer Shares are to be subscribed for and to be determined in the manner further described in the paragraph headed “Structure of the Public Offer — Pricing and Allocation” in this prospectus

DEFINITIONS

“Offer Share(s)”	the 100,000,000 Shares (comprising 80,000,000 New Shares and 20,000,000 Sale Shares) offered for subscription under the Public Offer
“PRC Distributor Agreement”	our exclusive distributor agreement entered into in August 2015 with the PRC Machineries Supplier, as further supplemented by a supplementary agreement in August 2016
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisers”	AnJie Law Firm, a qualified PRC law firm as the PRC legal advisers to our Company for the application for listing on the Main Board of the Stock Exchange
“PRC Machineries Supplier”	the manufacturing arm of a state-owned enterprise in the PRC with whom we entered into the PRC Distributor Agreement
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before March 3, 2014
“Price Determination Date”	the date, expected to be on or around Friday, January 6, 2017 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) may agree, but in any event not later than Monday, January 9, 2017
“Public Offer”	the offer of the Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“RMB” or “Renminbi”	the lawful currency of the PRC
“Regulation S”	Regulation S under the U.S. Securities Act
“Restricted Business”	any business in any form or manner that is or may be, whether directly or indirectly, in competition with or the business of any member of the Group in Shunde, the PRC, Hong Kong or any part of the world in which any member of the Group may from time to time operate
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Sale Shares”	the 20,000,000 Shares being offered for sale by the Selling Shareholder under the Public Offer
“Scandinavia”	Denmark, Finland, Iceland, Norway and Sweden
“Scandinavian distributor”	our exclusive sales agent located in Finland for our products in Scandinavia with whom we entered into a distributor agreement in May 2014
“Selling Shareholder”	Hang Yip
“Shares”	share(s) of HK\$0.1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Shares
“Sole Sponsor”	Octal Capital Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“Top Glory”	Top Glory Construction Equipment Limited 震東建築設備有限公司, formerly known as Top Mark Construction Equipment Limited 震東建築設備有限公司, a company incorporated in Hong Kong with limited liability on March 20, 2015 and an indirect wholly-owned subsidiary of the Company
“Top Mark”	Top Mark Mechanical Equipment Limited 震東機械設備有限公司, a company incorporated in Hong Kong with limited liability on July 28, 1997 and an indirect wholly-owned subsidiary of the Company
“Track Record Period”	the period comprising the three financial years ended March 31, 2016 and the three months ended June 30, 2016
“Tristate Hong Kong”	Tristate (HK) Holding Company Limited, a company incorporated in Hong Kong with limited liability on April 13, 2016, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Tristate International”	Tristate International Industrial Limited 聯亞國際實業有限公司, a company incorporated in Hong Kong with limited liability on July 28, 2008, and held as to 51% by Hang Wing and 49% by Ms. Siu Ling Linda Vane, wife of Mr. Gary Chan, and an indirect non-wholly owned subsidiary of our Company
“Underwriters”	the underwriters of the Public Offer listed in the paragraph headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the underwriting agreement dated December 29, 2016 relating to the Public Offer and entered into among our Company, the Selling Shareholder, the Executive Directors, the Controlling Shareholders, the Joint Bookrunners, the Joint Lead Managers and the Underwriters as further described in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses” in this prospectus
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“VAT”	value-added tax; all amounts are exclusive of VAT in this prospectus except indicated otherwise
“ WHITE Application Form(s)”	the application form(s) for the Offer Shares for use by the public who require such Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) for the Offer Share for use by the public who require such Offer Shares to be deposited directly into CCASS
“%”	per cent

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

DEFINITIONS

In addition, the following terms shall have the following meanings as used in this prospectus, which may not correspond to standard industry definitions or usage of these terms:

“CIF”	“cost, insurance and freight”, a trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier
“CNC”	“computer numerical control” refers to the automation of machine tools (as opposed to manually controlled) that are operated by a computer “controller” that reads programmed commands and drives a machine tool
“FOB”	“free on board”, an export term in which the price quoted by the exporter includes the cost of delivering the goods to the vessel at a particular designated port

GLOSSARY AND PRODUCT APPLICATION

This section contains an explanation of the functions and applications of the DTH rockdrilling tools of our Company as well as explanations of certain terms used in this document as they are related to our Company and as they are used in this prospectus in connection with our business or us. These explanation, and the terms and their given meanings may not correspond to standard industry definitions or usage of those terms.

Down-the-hole rockdrilling

Down-the-hole, or DTH, rockdrilling, is a specific method of rockdrilling, being the process of drilling a hole of a certain depth into a hard rock surface by repeated percussion.

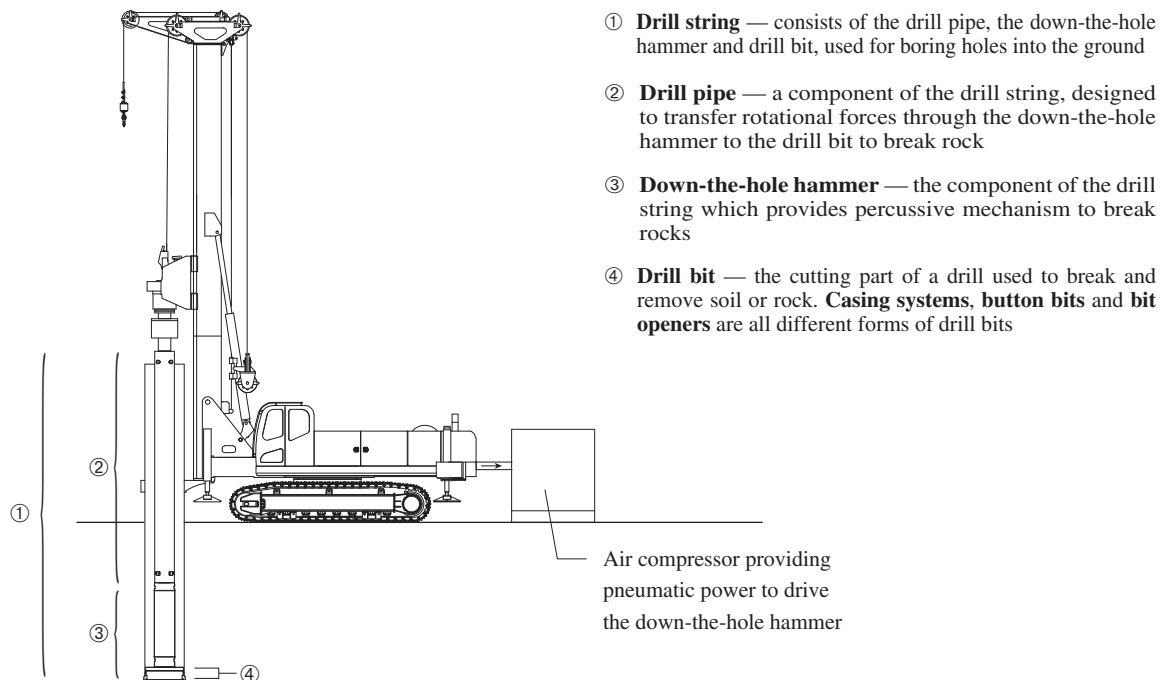
Applications

DTH rockdrilling is used in a variety of applications, including blast hole, quarrying, open pit mining, water well drilling, oil, gas and mineral exploration, ground consolidation, geothermal drilling, pile insertion, directional drilling, tunneling, micro-tunneling, or utility lining.

DTH rockdrilling tools

The DTH rockdrilling tools of our Company primarily consists of down-the-hole hammers, casing systems, and other miscellaneous tools including button bits and bit openers, all of which form components of a DTH rockdrilling system and may be used in conjunction with each other.

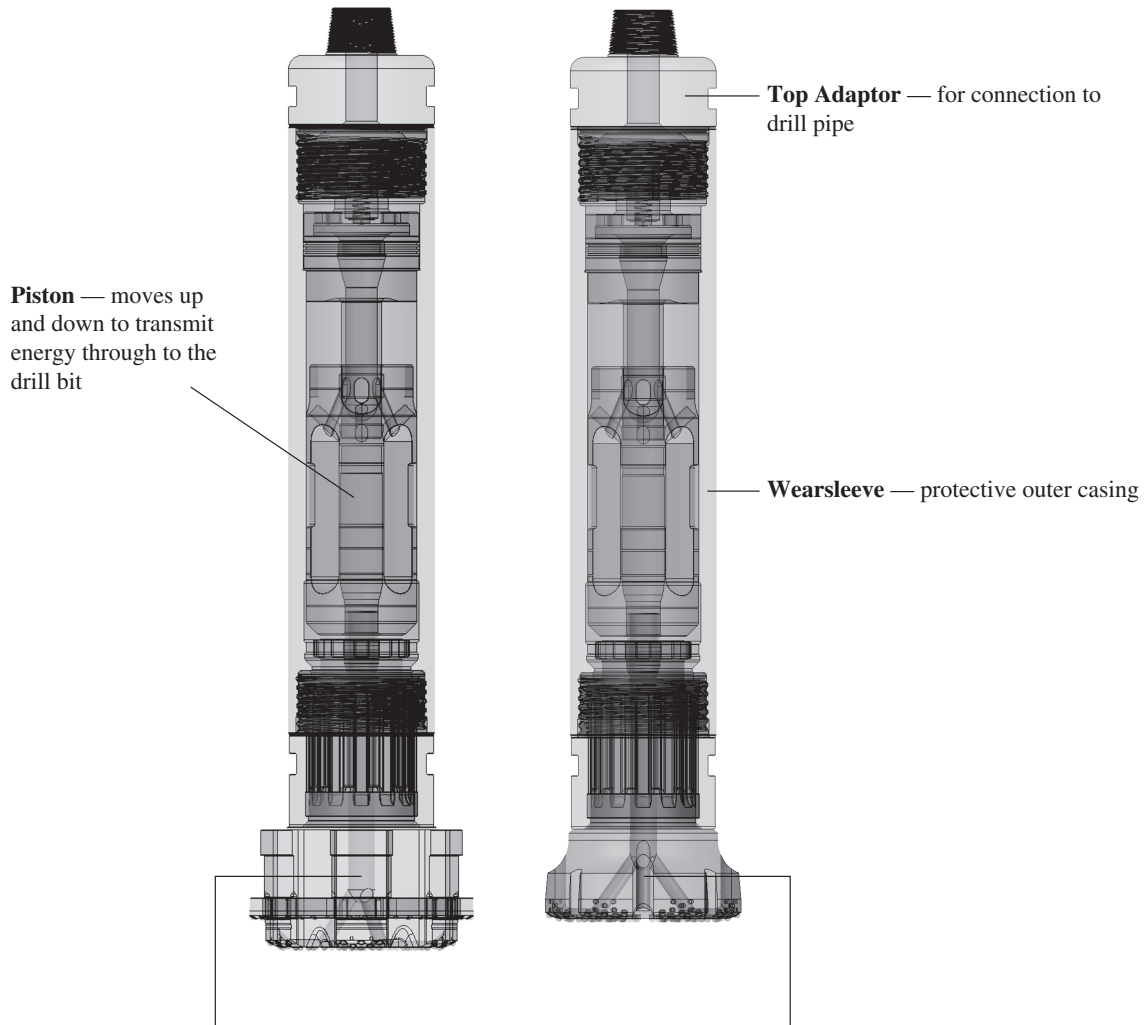
The following diagram illustrates the set-up of a typical DTH rockdrilling system:



Note: This diagram is for illustrative purposes only; it is neither complete nor to scale.

GLOSSARY AND PRODUCT APPLICATION

The following diagram shows the lower section of two drill strings which extends into the ground (or down-the-hole), each comprising the down-the-hole hammer and a drill bit (being a casing system and a button bit, respectively):



Casing system — a type of drill bit, which drills and inserts the casing simultaneously through soil and rock. Our typical casing system comprises a **driver bit** and a **casing bit** which perform drilling and reaming functions to break soil and rock

The **casing** is a steel pipe inserted into a borehole to prevent the hole from collapsing in certain occasions

Button bit — a type of drill bit, used in DTH rockdrilling to break soil and rock to form holes in the ground or

Bit opener — a type of drill bit, used in DTH rockdrilling to enlarge existing pre-drilled holes

Note: This diagram is for illustrative purposes only; it is neither complete nor to scale.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our business prospects, future developments, expected growth, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- future trends and our expectations regarding our results of operations and financial condition;
- our ability to anticipate and satisfy customers’ demands and preferences and maintain good relationships with suppliers and distributors;
- relevant government policies and regulations relating to our industry, business and corporate structure;
- our dividend policy;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors, which may not be typically associated with investing in our Shares, before making any investment decisions in relation to the Offer Shares. If any of the possible risks described below materialize, our business, financial condition and results of operations could be materially and adversely affected and the market price of our Shares could decrease significantly.

There are certain risks involved in our business and operations and in connection with the Public Offer. These risks can be categorized as: (i) risks relating to our business and industry; (ii) risks relating to Hong Kong; (iii) risks relating to the PRC; and (iv) risks relating to the Public Offer.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The majority of our customers operate in the volatile Hong Kong foundation industry, and their demand for our products may be affected by many market or business factors.

Our customers are mainly foundation companies and contractors in Hong Kong with a variety of rockdrilling needs who operate in a volatile industry in which many market or business factors could affect their demands for our products.

The factors that impact the demand for our products may include: the availability of rockdrilling projects for our customers or their markets; the availability of DTH rockdrilling tools and piling and drilling machineries and rockdrilling equipment in a given market or a given customer's equipment fleet; the age or condition of a customer's or the market's existing tools, machines and equipment; the under- or over-investment in these tools, machines and equipment by our customers or in their markets; the availability of or access to investment capital to invest in new tools, machines and equipment; the prevailing market conditions in the foundation industry; the general conditions and development in the economies in which our customers operate; and a customer's ability to compete for new projects.

Factors specific or internal to our customers' businesses or the markets they operate in, as well as the global demand for construction projects, are factors beyond our control and any decline in demand for our products due to any such factors could have a material adverse effect on our business, financial condition, and results of operations.

Fluctuations in raw material prices and rising labor costs in the PRC may adversely affect our business.

Our production process requires reliable and stable sources of large quantities of raw materials. In particular, alloy steel and tungsten carbide are key materials in the manufacture of our DTH rockdrilling tools, both of which we source from third parties. For the three years ended March 31, 2016 and the three months ended June 30, 2016, our cost of raw materials consumed accounted for approximately 31.2%, 44.1%, 36.6% and 32.8%, respectively, of our total cost of sales. Although we generally maintain a certain level of inventory of our raw materials for future production or to meet future demand, we do not have hedging arrangements against fluctuations in raw material prices and therefore we bear the risks associated with raw material cost fluctuations. The price of tungsten carbide has historically been subject to frequent price fluctuations. The pricing of our raw materials is also sensitive

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to supply disruptions, general economic conditions, and many other factors that are beyond our control. Given the prominence of alloy steel and tungsten carbide in our DTH rockdrilling tool structures, our cost structure is sensitive to fluctuations in the price of alloy steel and tungsten carbide.

We expect the historical volatility and uncertainty of tungsten carbide prices to continue. Although we do attempt to reflect raw material price fluctuations in the selling prices of our products, there can be no assurance that we will be able to reflect all such increases in the selling prices of our products on a timely basis or at all. We do not currently employ any commodity risk management strategies or engage in any hedging transactions to minimize our risks relating to fluctuations in the price of raw materials. If we are unable to reflect increases in the price of raw materials in the prices of our products, the operating results for our products may be materially and adversely affected.

Labor cost in the PRC has been on a rising trend over the years, and it may rise further in the future. We may not be able to fully transfer the increased cost of labor to our customers or offset the increase in labor cost against corresponding increases in the prices of our products. In the event that we are unable to cope with the increasing labor cost, our business, financial performance and results of operations may be adversely affected.

Please also refer to the section headed “Financial Information — Sensitivity Analysis” in this prospectus.

We depend on third parties to deliver certain raw materials and services that meet our quality standards in a timely manner to manufacture our products.

We procure raw materials, such as alloy steel and tungsten carbide, which account for a large proportion of our cost of sales, from external suppliers. We also employ third party contractors to carry out heat treatment steps in our manufacturing process for major components of all our DTH rockdrilling tools. We currently source our major raw materials principally from five suppliers in the PRC while the specialist heat treatment firm to whom we subcontract certain heat treatment steps is located in Shenzhen, the PRC. We have no long-term contractual arrangements with our suppliers or third party contractors. Any sudden shortage of raw materials supply, increase in demand, price movements, or other factors internal to our suppliers or third party contractors may result in an interruption in such supply of raw materials and services critical to our production process. Such shortage of supply or rejection of materials may affect our manufacturing schedule, and we may have to source supplies from alternative suppliers at a higher price, which may delay the delivery of products to our customers adversely affecting our reputation. Any of the foregoing events could cause a delay in our delivery and an increase in our costs, which may have a material adverse effect on our business, financial condition and results of operations.

Our manufacturing facilities may encounter operational disruption, or be unable to maintain efficiency or otherwise meet our production requirements, which would adversely affect our operations and financial condition.

A significant portion of our revenue is dependent on the continued operations of our manufacturing facilities in the Shunde factory to produce our self-designed and manufactured products. Our manufacturing operations are subject to risks including, among other things, the breakdown, failure or sub-standard performance of machinery and equipment, natural disasters, shortage of utilities such as electricity, and the need to comply with all applicable laws, regulations and standards such as

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environmental compliance in the PRC. The occurrence of any material operational problems at our manufacturing facilities in the future may have a material adverse effect on our business, financial condition and operating results.

Further, our future growth will depend upon our ability to maintain efficient operations at our existing manufacturing facilities and our ability to expand our production capacity as needed. For the years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016, the utilization rate for our Shunde factory was approximately 98.95%, 79.11%, 86.21% and 72.47%, respectively. The utilization rate of our manufacturing facilities depend primarily on the demand for our products and the availability and maintenance of our equipment but may also be affected by other factors, such as availability of employees, a stable supply of electricity and raw materials and changes in laws and regulations. In order to maintain production efficiency, we maintain our machinery and equipment on a regular basis. If our manufacturing facilities are unable to maintain efficiency, we may be unable to fulfill our purchase orders in a timely manner, or at all. This would have an adverse effect on our reputation, business and results of operations.

As we continue to grow and expand our business, we expect to invest in additional production lines and set up a new manufacturing facility for production of new products and the addition of heat treatment capabilities. If we are unable to acquire the necessary machinery and equipment or set up the new manufacturing facility at an acceptable price, or at all, we may not be successful in achieving our business expansion plans. For more information about our expansion plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

We may not maintain an effective quality control system at our manufacturing facilities, and any failure or deterioration of our quality control system would adversely affect our operations and financial condition.

The quality of our products is critical to the success of our business. Our product quality depends significantly on the effectiveness of our quality control system, which, in turn, depends on a number of factors, including implementation of our quality control policies as well as the composition of our quality control team. Any significant failure or deterioration of our quality control system could seriously damage our product quality and have a material adverse effect on our reputation in the market among current or prospective customers, which could in turn lead to fewer orders in the future, and harm our financial condition and operating results.

There is no assurance that our new products will achieve market acceptance by our customers.

DTH rockdrilling tools manufacturers face increasing technological demands from customers regarding, among other things, product specification and penetration rate. We have invested in research and development of new products and production technologies to cater to market requirements by spending an aggregate of approximately HK\$7.0 million during the Track Record Period. We expect to invest part of the proceeds from the Public Offer to recruit additional research and development engineers. However, there can be no assurance that the market will accept or demand these new products or product technologies when we introduce them. In addition, there can be no assurance that our competitors will not develop newer or cheaper alternatives to our own products or devise more efficient and advanced production techniques that could lower their per unit production costs. In the event our research and development fails to yield commercially viable products, lead to more efficient production, or otherwise provide a return on our investment, our business, financial condition and results of

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operations may be materially and adversely affected. Also, if we are unable to keep up with technological and other innovations in the industry in which we operate, we may ultimately suffer market share losses that could materially and adversely affect our business, financial condition, and results of operations.

We rely on a limited number of customers for a portion of our revenues.

We have been dependent on a limited number of customers for a portion of our revenues. Our top five customers, in the aggregate, accounted for approximately 49.2%, 49.1%, 57.1% and 64.4% of our total revenue for the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. Over the same periods, our largest customer accounted for approximately 26.1%, 25.3%, 40.5% and 43.2%, of our revenue, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term sales agreement with our customers. As such, there is no assurance that we will be able to retain these customers or that they will maintain their current level of business with us. If there is a reduction or cessation of orders from these customers for whatever reasons and we are unable to obtain, in substitution, suitable orders of a comparable size, our business, financial condition and results of operations may be materially and adversely affected. In addition, our reliance on a limited number of customers exposes us to the risk that a contractual dispute with any single customer, either initiated by us or by such customer, could have a material impact on our business. Such a dispute in connection with the sale of our products, could result in the loss of such customer, the diversion of management attention and significant legal liabilities and other costs which, in turn, could have a material adverse effect on our business, financial condition and results of operations. In addition, any negative publicity associated with a contractual claim against us could result in reputational damage and, as a result, could reduce sales from other customers and potential customers. Please also refer to the section headed “Our Business — Customers — Customer concentration” in this prospectus.

We face risks in maintaining and expanding our business overseas, including but not limited to, differences in legal and regulatory requirements, currency exchange rates, economic sanctions and changes in political and economic conditions, all of which could materially and adversely affect our business.

Our products are exported overseas. For the three years ended March 31, 2016 and the three months ended June 30, 2016, our overseas sales accounted for approximately 6.7%, 3.7%, 7.9% and 4.6% of our total revenue, respectively. We intend to continue to develop our overseas customer base, including in India and Canada. We face risks in expanding and maintaining our business in overseas markets, including, but not limited to:

- difference in local environments requiring adaptation of our DTH rockdrilling tools;
- the burden of complying with a variety of foreign laws and regulations and with unexpected changes in the legal and regulatory environment, including changes to import and export regulations or any trade restrictions and economic sanctions;
- reduced protection for intellectual property rights in some jurisdictions;
- difficulties in entering new markets and establishing brand recognition, including reliance on local distributors for our marketing and sales;

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- changes in political and economic conditions; and
- fluctuations in currency exchange rates.

Any failure to adequately manage these risks may result in a material adverse impact on our business, financial condition and results of operations.

If we fail to maintain an effective distribution network for our products or manage the activities of our distributors, the international expansion of our business could be adversely affected.

During the Track Record Period, we had three distributors, including the Scandinavian distributor and the Japan distributor, primarily selling our DTH rockdrilling tools in Scandinavia and Japan, respectively. Our sales to them represented approximately 2.2%, 2.3%, 7.2% and 4.7% of our total revenue for the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. We also engaged an exclusive distributor in India in May 2016. We expect to continue to sell our products through third-party distributors and to expand our distribution network in the future. Our business growth could be affected by our ability to maintain and manage a distribution network that timely delivers our products. Our distributors may not distribute our products in the manner we contemplate, and that could impair the effectiveness of our distribution network.

In addition, while we have entered into distribution agreements with our distributors, we cannot assure you that we will be able to renew such agreements with our distributors on terms favorable to us or at all when our existing distribution agreements expire. In the event that our distributors terminate their relationships with us, or if we are otherwise unable to maintain and expand our distribution network effectively, our sales volumes and business prospects could be adversely affected.

We have limited ability to manage the activities of our distributors, who are independent from us. Our distributors could take actions, including one or more of the following, which could have an adverse effect on our business, prospects and brands:

- (a) sell our products outside their designated territories;
- (b) fail to adequately promote our products or misuse our trademarks;
- (c) fail to comply with applicable regulatory requirements when selling our products;
- (d) fail to provide proper training and services to our customers; or
- (e) violate anti-corruption and other laws of the relevant countries.

While our distributors are authorized under our distribution agreements to sell our products within the designated jurisdictions, we have limited ability to monitor their activities and we face a risk that they may act in breach of such agreements, which could have an adverse effect on our business, prospects and brands.

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We may encounter unexpected difficulties in implementing our strategy for future growth.

We believe that the investment in a new manufacturing facility for the production of new products, as well as the internalization of the heat treatment process, are key aspects of our growth strategy. We intend to invest in a new manufacturing facility and acquire new production machinery and equipment by using part of the proceeds from the Public Offer. As part of our business strategy, we also plan to strengthen and expand our presence in certain key international markets over the next few years. We plan to establish distribution networks through partnerships with local distributors and increase our international sales and marketing efforts. Our future plans further include expanding our research and development efforts, including recruiting more staff for our research and development team. For more detail, see “Our Business — Business Strategies” and “Future Plans and Use of Proceeds” in this prospectus.

Our ability to implement our business plans depends on, among other things, whether we are able to expand our range of self-designed and manufactured products, our ability to capture new opportunities and demand for new products, our ability to identify and the availability of suitable distributors and the availability of our management, financial and other resources. Our current expansion plans contemplate a greater scale of expansion than we have previously undergone. There can be no assurance that we can achieve our planned objectives in a timely manner, or at all.

We may not be able to successfully set up such new manufacturing facilities and commence production of drill pipes or other new products according to our plans and within the anticipated timeframes. The investment in new manufacturing facilities and new product lines may exceed the cost levels originally anticipated. Our plans could be adversely affected by technical difficulties, human or other resource constraints, or capital investment or funding constraints. If any of these events occur, we may not be able to produce the new products or attain the intended economic benefits, which could materially and adversely affect our business, financial condition and results of operations. We may also experience an increase in depreciation charges as a result of our significant investments in machinery and equipment for our new production lines.

We have experienced and will likely continue to experience growth in the scope and complexity of our operations and in the number of our employees. This growth has placed, and future growth will continue to place, a significant strain on our managerial, technical, financial, production, operational, and other resources. To manage and support our growth, we may need to improve our existing operational and administrative systems as well as our financial and management controls. Our continued growth also depends on our ability to recruit, train and retain additional qualified management personnel and technicians as well as other administrative and marketing personnel. To accommodate our growth, we need to continue managing our relationships with our key suppliers and customers. All of these will require substantial management attention and efforts and significant additional expenditures. If we fail to manage and monitor our growth and expansion effectively and efficiently, our future business, financial condition and results of operations may be materially and adversely affected.

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We rely on our key management and experienced technical professionals, and any discontinuance of their present positions or any shortage of labor would adversely affect our operations and financial condition.

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our senior management and key employees. In particular, we rely on the expertise and experience of our Executive Directors, Mr. Kenneth Chan, Mr. Alan Chan and Mr. Eric Chan. Mr. Kenneth Chan and Mr. Alan Chan who co-founded our Group and Mr. Eric Chan, who joined after our incorporation, have been playing a pivotal managerial role in areas such as managing business operations, our overall strategy planning and management of our sales and marketing operations. If one or more of our members of senior management or key employees is/are unable or unwilling to continue in their present positions, we might not be able to replace them in a timely manner, or at all. Our business may be severely disrupted and our financial condition and operating results may be materially and adversely affected.

In addition, our continued success is dependent on our staff to produce quality products, to keep pace with technological developments and to continue to develop DTH rockdrilling tools that meet our customers' requirements. During the Track Record Period, we did not experience any shortage of labor; however, we cannot assure you that we will not experience any shortage in the future, in which case we may need to offer superior compensation and other benefits to attract and retain key personnel, technicians and skilled labor. We cannot assure you that we will have the resources to fully achieve our staffing needs. Any failure to attract and retain competent personnel or any increase in staffing costs to retain such personnel could have a negative impact on our competitive position and our business, and, as a result, our financial condition and operating results may be materially and adversely affected.

We have limited insurance cover, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial condition.

Under PRC law, we are not required to maintain product liability and business interruption insurance policies. Accordingly, we have not maintained these insurance policies. During the Track Record Period and up to the Latest Practicable Date, we had not received any material product liability claims from third parties. Should our products be found defective and/or should they cause property damage or personal injury, we may have to devote significant resources to defend any such claims and/or to provide compensation. In addition, we and/or our officers (as the case may be) may be exposed to claims in respect of matters that are not covered by any insurance policies we maintain. In addition, although we maintain insurance coverage we believe to be adequate based on the industry we operate in, including business insurance, special risks insurance, public liability insurance, motor vehicles insurance, employee's compensation insurance and mandatory social security insurance for our employees, there may be circumstances (such as earthquakes, war, floods, transportation disruption, power shortages and disruption of or damage to our production facilities, equipment or products) in which we would not be covered adequately, or at all. Uninsured losses incurred, or payments we may be required to make, may have a material adverse effect on our financial condition and operating results.

With respect to losses which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may not be able to recover the full amount from the insurer. There can be no assurance that our policies would be sufficient to cover all potential losses, regardless of the cause, or whether we can recover such losses.

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We may be unable to obtain adequate financing to fund our capital requirements.

We have in the past funded our capital expenditures primarily by shareholder equity injections, cash generated from our operations and through credit facilities. There can be no assurance that cash generated from our operations will be sufficient to fund our future development and expansion plans. For us to grow and remain competitive, we may require new capital in the future. There can be no assurance that such additional financing will be available to us on reasonable terms or at all. Our ability to obtain additional capital in the future is subject to a variety of uncertainties beyond our control, including market conditions, credit availability and interest rates. If we are unable to raise sufficient capital in the future on commercially acceptable terms, we may have to abandon, delay, or postpone certain of our planned capital expenditures. Our inability to finance our planned capital expenditures could adversely affect our business, financial condition, results of operations. In addition, the terms and amount of capital raised through issuing equity securities may significantly dilute the interests of shareholders.

We may be exposed to delays and/or defaults on payments from our customers, while remain subject to satisfying payment obligations to our suppliers, which would materially and adversely affect our cash flows or financial results.

Our financial position and profitability are dependent on the credit worthiness of our customers. We grant credit periods to our customers based on their payment history, business performance and/or market position. We typically grant our customers an average credit period from 30 days to 90 days from the date of delivery. Longer credit periods may also be available to certain customers with good credit record and with whom we have established business relationships. For the three years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016 respectively, our Group had average debtors' turnover days of approximately 93.1 days, 106.5 days, 99.5 days and 134.9 days respectively. Moreover, the average credit period of trade payables granted by our trade suppliers is from 30 to 60 days upon the issue of invoices. For the three years ended March 31, 2014, 2015 and 2016, and the three months ended June 30, 2016, our creditors' turnover days were approximately 75.1 days, 70.2 days, 26.7 days and 31.8 days respectively.

Should we experience any delays or difficulties in collecting payments from our customers and/or trade receivables from our debtors, while remaining obligated to satisfy our ongoing payment obligations to our suppliers, we may be required to consider alternative sources of financing and/or delay on our own payment obligations, and our cash flows, financial condition and results of operations may be materially and adversely affected.

Any failure in accurately predicting product demand may result in high inventory balances and inventory turnover days, which could materially and adversely affect our business, financial condition and results of operations.

Our production management staff closely monitor the inventory level of our raw materials and partly completed products to ensure we maintain a certain level of inventory for future production or to meet future demand. Such inventory level will be reviewed from time to time by reference to our expectation of future demand based on the upcoming construction projects in our markets, outstanding sales orders and our production schedule. Our customers may not order the products we have forecasted or will purchase fewer products than forecasted. In addition, unfavorable market or industry conditions can limit visibility into customer spending plans and compound the difficulty of forecasting inventory at

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appropriate levels. For example, we experienced decreases in sales in the year ended March 31, 2015 as a result of delays in funding approvals for construction jobs in Hong Kong, leading to delays in the commencement or execution of such construction jobs and in turn leading to a decrease in demand for our products. As a result, our inventory balance maintained at a relatively high level in the year ended March 31, 2015, and our inventory turnover days increased from 57.3 days as of March 31, 2014 to 90.7 days as of March 31, 2015. If we are unable to sell products or if we are required to lower product prices in order to reduce inventories, our gross margin might be negatively affected. High inventory levels may also result in our commitment of substantial capital resources, which prevents us from using that capital for other purposes and requires us to utilize more capital than might otherwise be required. If we do not accurately predict product demand, our business, financial condition and operating results could be materially adversely affected.

The industry in which we operate is competitive, and a further increase in competition or productivity by our competitors may affect our market share and profit margins.

Our industry is competitive, with multiple global and regional competitors. If we are unable to compete effectively in the market, our business may be materially and adversely affected. Some of our potential competitors may have longer operating histories than ours, closer relationships with their customers, greater brand recognition, or greater financial resources than we have, and, as a result, they may be able to acquire some of our customers. Our market share could be reduced if our competitors develop any new technology or new products, or offer products that are comparable or superior to ours at a lower price. Increased competition in the future could result in price reductions, reduced margins, or other strains on our operations. If our competitors offer better quality products, services, or better pricing, then our sales, market share, and results of operations could be materially and adversely affected.

Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin.

For each of the three years ended March 31, 2016 and the three months ended June 30, 2016, our revenue was approximately HK\$150.6 million, HK\$126.6 million, HK\$141.7 million and HK\$27.8 million, respectively. For the same period, our profit for the year and total comprehensive income for the years ended March 31, 2014, 2015 and 2016 was approximately HK\$25.4 million, HK\$26.5 million and HK\$33.7 million, respectively and our loss for the period and total comprehensive expense for the three months ended June 30, 2016 was approximately HK\$3.2 million. For each of the three years ended March 31, 2016 and the three months ended June 30, 2016, our gross profit was approximately HK\$51.8 million, HK\$54.4 million, HK\$63.2 million and HK\$12.7 million, respectively, whereas our gross profit margin for the same periods was approximately 34.4%, 42.9%, 44.6% and 45.6%, respectively. For discussions as to our results of operations, please refer to the paragraphs headed “Financial Information — Period to period comparison of results of operations” in this prospectus.

There is inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, deterioration in the market conditions of the construction

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industry in the key markets we operate, intensification of competition among our competitors and other unforeseen factors such as deterioration in general economic conditions, which reduce the sales volume of our products and/or reduce the profit margin of our products.

There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

We may not be able to enforce our own intellectual property rights or may be subject to claims from third parties for infringement of their intellectual property rights.

As of the Latest Practicable Date, we held 16 patents for two DTH rockdrilling tool manufacturing technologies, and have registered one trademark in various jurisdictions. We rely on a combination of patents, trademarks, know-how and contractual rights to protect our proprietary technology and intellectual property. There can be no assurance that these measures will be sufficient to prevent any misappropriation of our intellectual property, or that our competitors will not independently develop alternative technologies that are equivalent or superior to technologies which are based on our intellectual property. In the event that the steps we have taken and continue to take and the protection afforded by law do not adequately safeguard our proprietary technology, then our business, financial condition and results of operations may be materially and adversely affected.

We have never received notice of any claims by third parties, alleging that we have infringed such third parties' intellectual property rights. There can be no assurance that any such claim will not be initiated, or that we would prevail in any legal proceedings arising from such a claim, such as seeking damages or an injunction against the sale of our products. If we face such a claim, our business, financial condition and results of operations could be materially and adversely affected.

We may experience a significant deterioration in financial performance for the years ending March 31, 2017 and 2018 which is mainly attributable to the Listing expenses and certain other factors arising from the application of the proceeds from the Public Offer.

The financial results of our Group for the year ending March 31, 2017 would be affected by the non-recurring Listing expenses. The estimated Listing expenses paid and payable by us for the year ending March 31, 2017 are approximately HK\$29.7 million (excluding fees payable by the Selling Shareholder). The amount of Listing expenses is a current estimate for reference only and the final amount to be recognized to the consolidated statements of profit or loss and other comprehensive income of our Group for the year ending March 31, 2017 is subject to changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending March 31, 2017 would be significantly affected by the estimated Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

In addition, the Group's future financial performance may also be affected by, among other things, the incurrence of business promotion and rental expenses, as well as additional depreciation arising from investment in fixed assets which the Directors expect to be, based on the current expansion plans, approximately HK\$3.8 million for the year ending March 31, 2018, all of which would be incurred only with the use of proceeds from the Public Offer. Therefore, prospective investors should also note that

RISK FACTORS

the future financial performance of our Group may be significantly affected by the incurrence of the abovementioned expenses in addition to the Listing expenses, and accordingly, may or may not be comparable to the financial performance of our Group in the past.

We face risks associated with foreign exchange fluctuations.

We conduct business with customers, suppliers and distributors located both in Hong Kong, the PRC and overseas. The Group's exposure to currency risk mainly arise from the fluctuation of RMB and U.S. dollars. We may also transact in JPY, EUR or other currencies. The carrying amounts of the foreign currency denominated monetary assets and liabilities other than the functional currencies of the companies now comprising our Group as of March 31, 2014, 2015 and 2016 and June 30, 2016 were:

	Liabilities			Assets				
	As of March 31,			As of June 30,		As of June 30,		
	2014	2015	2016	2016	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	(164)	(73)	(841)	(792)	946	2,818	10,365	5,577
RMB	(10,006)	(3,755)	—	—	—	—	55	53
EUR	(268)	(107)	(20)	(1,642)	—	81	79	87
JPY	<u>(6,966)</u>	<u>(219)</u>	<u>(94)</u>	<u>(40)</u>	<u>—</u>	<u>1,003</u>	<u>—</u>	<u>—</u>

The following table sets out the aggregate amount of transactions denominated in each foreign currency during the Track Record Period (and presented in each foreign currency). These include amounts received as well as amounts paid, in such foreign currencies.

	As of March 31,			As of June 30,
	2014	2015	2016	2016
	<i>(in millions)</i>			
US\$	3.1	1.7	2.1	1.3
RMB	51.3	70.5	67.0	19.2
EUR	0.2	0.1	0.2	—
JPY	<u>71.5</u>	<u>90.1</u>	<u>15.8</u>	<u>1.0</u>

We are therefore subject to risks associated with exchange rate fluctuations and changes in exchange rates could affect our results of operations.

Changes in the exchange rates could increase our costs, or affect the Hong Kong dollar equivalent of prices of our exported products and the prices of our imported equipment and materials, any of which could adversely affect our results of operations. The value of the RMB is subject to changes in governmental policies of the PRC and to factors including international economic developments, political conditions and supply and demand for currencies. The value of the RMB in international markets is determined by reference to a basket of currencies as part of a floating exchange rate policy. We cannot predict the future fluctuations of the RMB. The PRC Government may adopt a more flexible

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currency policy, which could lead to the RMB experiencing more substantial revaluation against the U.S. dollar or other currencies. Please refer to the paragraphs headed “Financial Information — Quantitative and Qualitative Disclosures About Market Risks — Currency risk — Sensitivity analysis” in this prospectus for details on our sensitivity to a 5% increase in the functional currencies of the relevant group entities against the foreign currencies.

We may experience transfer pricing risk.

Our Group has adopted transfer pricing arrangements among its group companies in Hong Kong and the PRC to regulate intragroup sales. For details of our intragroup sales, please refer to the paragraphs headed “Our Business — Intragroup Sales” in this prospectus. Our Group’s tax position may be subject to review and possible challenge by the relevant government authorities and any possible change or challenge in laws.

For details of the Hong Kong and PRC laws and regulations in relation to transfer pricing arrangements, please refer to the paragraphs headed “Laws and Regulations — Hong Kong Laws and Regulations — Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)” and “Laws and Regulations — PRC Laws and Regulations — PRC Laws and Regulations relating to the Special Tax Adjustment” respectively in this prospectus.

In the event that our Group’s tax position is subject to review and possible challenge by the Hong Kong and/or PRC tax authorities or there is a change in the tax policy and relevant tax laws in Hong Kong and/or the PRC, it may adversely affect our Group’s financial position and results of operation. There can be no assurance that our Group will not be found to be operating in breach of the relevant transfer pricing-related laws, or that such laws will not be modified, which, as a result, may require changes to our Group’s transfer pricing practices or operating procedures. Any determination of income reallocations or modifications of the relevant transfer pricing-related laws could result in an income tax assessment and other relevant charges on the portion of income deemed to be derived from the taxing jurisdiction that so reallocates the income or modifies its relevant transfer pricing-related laws. For further details of our transfer pricing arrangements and the advice given by our tax adviser on intragroup transactions, please refer to the paragraphs headed “Our Business — Intragroup Sales” in this prospectus.

Our Group’s operations may be affected by epidemics and outbreaks of infectious diseases.

Our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, severe respiratory syndrome, Ebola virus and Zika virus), 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. 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 and suppliers.

RISK FACTORS

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may adversely affect our performance and financial condition.

For the three years ended March 31, 2016 and the three months ended June 30, 2016, approximately 89.2%, 90.7%, 88.6% and 87.3% of our total revenue, respectively, was derived from sales of our products in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

The state of political environment in Hong Kong may adversely affect our performance and financial condition.

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since a significant portion of our total revenue was derived from sales of our products in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the Hong Kong economy, thereby directly and adversely affecting our results of operations and financial positions. In 2014, thousands of residents of Hong Kong engaged in civil disobedience protests. Activists protested outside key government buildings and occupied several major intersections, causing major disruption to traffic and trade in affected areas. Any political and social instability in Hong Kong, if significant and prolonged, could have a material effect on our business, financial condition, results of operations and prospects.

RISK RELATING TO THE PRC

Changes in existing laws and regulations or additional or more stringent laws and regulations on environmental protection in the PRC may cause us to incur additional capital expenditure.

PRC environmental protection laws and regulations require manufacturers that may cause environmental wastes to adopt effective measures to control and dispose of industrial wastes. In addition, we are required to obtain clearances and authorizations from government authorities for the treatment and disposal of such discharge. As our manufacturing processes generate noise, waste water, waste gas and other industrial wastes, we are required to comply with national and local environmental regulations. If we fail to comply with environmental regulations, in particular, in relation to the use of or discharge of hazardous substances (if any), we may be required to pay potentially significant monetary damages and fines, suspend production or cease operations, which would have a material adverse effect on our business and operating results. There can also be no assurance that the PRC Government will not change the existing laws or regulations, or impose additional or more stringent laws or regulations, or interpret or implement the existing laws and regulations more strictly in order to seek better environmental protection. Compliance with any of these additional or more stringent laws or regulations or more stringent implementations may cause us to incur additional capital expenditure, which we may be unable to pass on to our customers by increasing the prices for our products.

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Our business operations may be affected by regulatory changes

The establishment and many aspects of the business operations of our PRC subsidiaries are governed by various local, provincial and national regulations. The PRC legal framework, qualification requirements and enforcement trends in the DTH rockdrilling tool industry may change, and we may not be able to respond to such changes in a timely manner. Such changes may also cause the compliance cost to increase, which may materially and adversely affect our business, financial condition and results of operations.

The PRC legal system embodies uncertainties that could limit the legal protections available to you and us.

Unlike the common law system, the PRC legal system is based on written statutes. Decided legal cases have little precedential value. The PRC Government since 1979 has commenced to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protection afforded to various forms of foreign investment in the PRC. Nevertheless, there is an underlying uncertainty in the legal protection under the PRC legal system. The implementation, interpretation and enforcement of these laws and regulations may cause greater uncertainty compared to those in the common law jurisdictions due to a relatively short legislative history, limited volume of court cases and their non-binding nature. Furthermore, many laws, regulations and legal requirements have only recently been adopted by the central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for guidance. PRC administrative and court authorities also have significant discretion in interpreting and enforcing statutory and contractual terms. It thus may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available than in more developed legal systems. Such uncertainties, including the uncertainty to enforce our contracts, could materially and adversely affect our business operations. In addition, intellectual property rights and confidentiality protection in the PRC may not be as effective as in Hong Kong or other countries.

Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protection available to us and other foreign investors, including our Shareholders and prospective investors.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Public Offer to make loans or additional capital contributions to our PRC subsidiary.

Our Company is an offshore holding company and we conduct some of our operations in the PRC through our PRC subsidiary. We may fund our operations in the PRC through making additional capital contributions or loans to our PRC subsidiary. Any funds we transfer to our PRC subsidiaries or any new PRC subsidiaries that we plan to establish in future, either as a shareholder loan or as an increase in registered capital are subject to the approval by or registration with relevant governmental authorities in the PRC.

RISK FACTORS

According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to our PRC subsidiary are subject to the approval of the MOFCOM or its local branches and registration with other governmental authorities in the PRC. In addition, any foreign loan procured by our PRC subsidiary is required to be registered with the SAFE or its local branches, and our PRC subsidiary may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by the MOFCOM or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiary. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the Public Offer and to capitalize our PRC operations may be negatively affected, which could adversely affect our PRC subsidiary's liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Notice of Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (Circular 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which became effective on June 1, 2015. Circular 19 reforms the administration of conversion of foreign currency registered capitals of foreign invested enterprises. Circular 19 adopts a concept of "discretionary settlement", which is defined in Circular 19 as the settlement of a foreign invested enterprise's foreign currency registered capital in accordance with the enterprise's actual business needs. However, use of any Renminbi funds converted from its registered capital shall be based on true transactions, and the Renminbi funds obtained by foreign invested enterprises from the discretionary settlement of foreign currency registered capitals shall be managed under the accounts pending for foreign currency settlement payment. In addition, equity investments using converted registered capital are no longer prohibited under Circular 19.

The SAFE promulgated the Notice of Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (Circular 16) (《關於改革和規範資本項目結匯管理政策的通告》) on June 9, 2016 and became effective on the same date. Circular 16 unified the policy of "discretionary settlement" for foreign currency registered capital and settled the ratio as 100%. However, as Circular 16 was issued relatively recently, there are still uncertainties in its implementation.

Furthermore, the SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency denominated capital of foreign invested enterprises. We are required to apply Renminbi funds converted from the net proceeds we expect to receive from the Public Offer within the business scope of our PRC subsidiary.

If Norry Tech declares and distributes dividends to its offshore parent companies, we will be required to pay more taxes, which could have a material and adverse effect on our result of operations.

Under the EIT Law and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise, such as Norry Tech, to any of its foreign non-resident enterprise investors, and proceeds from any such foreign enterprise investor's disposition of assets (after deducting the net value of such assets) are subject to a 10% withholding tax, unless the foreign enterprise investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding tax. Hong Kong has a tax arrangement with the PRC that provides for a 5% withholding tax on dividends subject to certain conditions and requirements, such as the requirement that the Hong Kong

RISK FACTORS

resident enterprise owns at least 25% of the PRC enterprise distributing the dividends at all times within the 12-month period immediately preceding the distribution of dividends and be a “beneficial owner” of the dividends. Tristate Hong Kong, which directly owns Norry Tech, is incorporated in Hong Kong. However, if Tristate Hong Kong is not considered to be the beneficial owner of dividends paid to it by Norry Tech under the tax circulars promulgated in February and October 2009, such dividends would be subject to withholding tax at a rate of 10%. If Norry Tech declares and distributes profits to us in the future, such payments will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company.

RISKS RELATING TO THE PUBLIC OFFER

There has been no prior public market for our Shares.

Prior to the Public Offer, there was no public market for our Shares. The initial Offer Price range to the public for our Shares was the result of negotiations among us on behalf of ourselves and the Selling Shareholder and the Joint Bookrunners on behalf of themselves and the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Public Offer. We have applied to list and deal in our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active market for our Shares will develop following the Public Offer or in the future. If an active market for our Shares does not develop after the Public Offer, the market price and liquidity of our Shares may be materially and adversely affected. There can be no assurance as to the ability of the Shareholders to sell their Shares, or as to the prices at which Shareholders would be able to sell their Shares. Consequently, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares in the Public Offer.

Our Share price may be highly volatile, which may result in substantial losses for investors purchasing Shares in the Public Offer.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings, or cash flows, and announcements of new investments, strategic alliances or acquisitions, or fluctuations in market prices for raw materials, could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. There can be no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC, and shares of other heavy equipment manufacturers, have experienced substantial price volatility in the past. It is possible that our Shares will be subject to substantial changes in price that may not be directly related to our financial or business performance.

You may experience difficulties in enforcing your shareholder rights because we are incorporated under Cayman Islands laws, which may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by, among other things, our Memorandum and Articles of Association, Cayman Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences may mean that our minority shareholders

RISK FACTORS

may have less protection than they would have under the laws of Hong Kong or other jurisdictions. See “Summary of the Constitution of our Company and Cayman Companies Law” in Appendix III to this prospectus.

Future sales or a major divestment of Shares by any major shareholder could adversely affect our Share price.

Future sales, disposals, or other transfers of a substantial number of our Shares by our current shareholders in public markets, or any prospects or possibilities of such sales, disposals or other transfers, as to or against which the holders of our Shares may or may not have a right to vote or veto, could adversely impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. There can be no assurance that any of our major Shareholders will not sell, dispose of or otherwise transfer any Shares they may own now or in the future at the completion of the applicable lock-up periods.

Investors for the Shares will incur an immediate and substantial dilution as a result of the Public Offer and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is substantially higher than the net tangible book value per Share. Therefore, investors of the Offer Shares in the Public Offer will experience an immediate and substantial dilution in net tangible book value per Share as a result of the Public Offer.

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations, or any acquisitions. If additional funds are raised by way of issuing Shares or equity-linked securities other than on a pro-rata basis to existing Shareholders, shareholding percentage of our existing Shareholders may be reduced, the earnings per Share and the net tangible asset value per Shares would diminish and/or such newly issued securities may have rights, preferences and privileges superior to those of the Shares of the existing shareholders.

Our Company is a holding company and therefore, our Company’s ability to pay dividends or make any other distributions depends entirely on distributions received from its subsidiaries, and if there is any restriction against our subsidiaries to make distributions, we may not be able to pay any dividend.

Our Company is a holding company and our results of operations and financial position are entirely dependent on the performance of the members of our Group. Our Company’s ability to pay dividends will depend on the level of distributions, if any, received from its subsidiaries. In particular, the ability of our PRC subsidiary to make distributions to us may, from time to time, be restricted as a result of several factors, including foreign exchange limitations, the requirements of applicable laws, and regulatory, fiscal or other restrictions in the PRC. PRC regulations currently permit payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside a portion of its after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds.

RISK FACTORS

Historical dividends are not indicative of our Group’s future dividends. There is no assurance that we will pay dividends in the future.

Our Group declared and paid dividends of HK\$12.0 million, HK\$24.0 million, HK\$7.9 million and nil during the years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016, respectively, to its then equity owners, and declared dividends of HK\$29.0 million in July 2016 with reference to the retained profits as of March 31, 2016 which have been fully paid. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that our Group will declare or pay dividends in the future, at a similar level or at all. The declaration, payment and amount of any future dividends are subject to the discretion of the Board depending on, among other things, our Group’s earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend policy, please refer to the paragraphs headed “Financial Information — Dividends” in this prospectus. We cannot assure you when or whether we will pay dividends in the future.

The interests of the Controlling Shareholders may not always coincide with the interest of our Group and those of the other Shareholders.

The Controlling Shareholders have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholding in our Group. The interests of the Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of the Controlling Shareholders conflict with the interests of other Shareholders, or if any of the Controlling Shareholders chooses to cause our Group’s business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders’ interests may be adversely affected as a result.

We cannot guarantee the accuracy of the facts and statistics in this prospectus relating to the global industry in which we operate.

Facts, forecasts and other statistics in this prospectus, relating to the DTH rockdrilling tool industry, are derived, in part, from official government sources. Our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of its or their respective affiliates, or advisers, have not independently verified these materials and, therefore, make no representations as to the accuracy of such facts, forecasts and statistics. Due to possibly flawed or ineffective collection methods, discrepancies between published information and market practice, or other problems, the statistics in this prospectus, including without limitation those in the section headed “Industry Overview” in this prospectus, may be inaccurate or may not be similar to statistics produced by other sources. Prospective investors should not place undue reliance on any of such information and statistics contained in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

DIRECTORS' RESPONSIBILITIES FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ABOUT THE PUBLIC OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorized in connection with the Public Offer to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors, supervisors, agents or advisers or any other person involved in the Public Offer.

The Offer Price is expected to be fixed by agreement by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, January 6, 2017.

If, for whatever reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to agree on the Offer Price by Monday, January 9, 2017, or such other time as may be agreed between our Company and the Joint Bookrunners, the Public Offer will not proceed.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

FULLY UNDERWRITTEN

The Listing is sponsored by Octal Capital Limited and this prospectus is published solely in connection with the Public Offer, which is managed by the Joint Bookrunners. Subject to the terms of the Underwriting Agreement including the determination of the final Offer Price by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters), on the Price Determination Date or such later time as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Offer Shares are fully underwritten by the Underwriters under the Underwriting Agreement. For particulars of the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Public Offer. Save as disclosed in this prospectus, no part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange in the near future.

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

SHARE REGISTERS AND STAMP DUTY

All Offer Shares will be registered on our branch register of members to be maintained in Hong Kong by our Hong Kong Share Registrar. Our Company’s principal register of members will be maintained by our principal share registrar and transfer office, Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Dealings in Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 any other date as determined by HKSCC.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

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. Investors should seek the advice of their stockbrokers or other professional advisers for details of CCASS settlement arrangements and how such arrangements will affect their rights and interests.

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.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in our Shares. It is emphasized that none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, supervisors, agents or advisers or any other person involved in the Public Offer accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding, disposal or dealing of the Offer Shares.

PROCEDURE FOR APPLICATION FOR OFFER SHARES

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, January 11, 2017. Shares will be traded in board lots of 2,000 Shares each.

The stock code of the Shares is 1536.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

Details of the structure and conditions of the Public Offer are set out in the section headed “Structure of the Public Offer” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in U.S. dollars, Renminbi and Hong Kong dollars. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, (i) the translations between U.S. dollars and Hong Kong dollars were made at the rate of US\$1.0 to HK\$7.7659, being the exchange rate in effect on December 16, 2016 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States on 19 December 2016 and (ii) the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.89441 to HK\$1.0, being the People’s Bank of China rate prevailing on the Latest Practicable Date.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

No representation is made that any amounts in U.S. dollars, Renminbi or Hong Kong dollars can be or could have been at the relevant dates converted at the above rates or any other rates at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Leung Choi Chan (陳樑材)	Flat C, 28/F, Block 1 Island Resort 28 Siu Sai Wan Road, Siu Sai Wan Hong Kong	Chinese
Mr. Kin Choi Chan (陳健材)	Flat F, 17/F, Block 6 Fullview Garden 18 Siu Sai Wan Road, Siu Sai Wan Hong Kong	Chinese
Mr. Tat Choi Chan (陳達材)	Flat C, 7/F, Block 8 Island Resort 28 Siu Sai Wan Road, Siu Sai Wan Hong Kong	Chinese
Ms. Ning Liang (梁寧)	Flat C, 28/F, Block 1 Island Resort 28 Siu Sai Wan Road, Siu Sai Wan Hong Kong	Chinese
Independent Non-executive Directors		
Mr. Lewis Chan (陳令紘)	Room C, 8/F, Mei Foo Sun Chuen Phase 2, 32 Broadway, Lai Chi Kok Kowloon, Hong Kong	Chinese
Mr. Chun Fung Lam (藍俊峰)	Flat B, 18/F, Block 3, New Haven 363 Sha Tsui Road, Tsuen Wan Hong Kong	Chinese
Mr. Lok Man Richard Sung (宋樂文)	Room 9, 10/F, Block C Chun Man Court, Ho Man Tin Kowloon, Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

PARTIES INVOLVED IN THE PUBLIC OFFER

Sole Sponsor

Octal Capital Limited
a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity as defined under the SFO
802–805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

Joint Bookrunners

Opus Capital Limited
18th Floor, Fung House
19–20 Connaught Road Central
Central, Hong Kong

Supreme China Securities Limited
Suites 2701–2, 27th Floor
Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong

Octal Capital Limited
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88 Connaught Road Central
Hong Kong

Joint Lead Managers

Opus Capital Limited
18th Floor, Fung House
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Central, Hong Kong

Supreme China Securities Limited
Suites 2701–2, 27th Floor
Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong

Octal Capital Limited
802–805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

Legal Advisers to Our Company

As to Hong Kong law:
Cadwalader, Wickersham & Taft
27th Floor, 100QRC
100 Queen's Road Central
Hong Kong

As to Hong Kong law:
Latham & Watkins
18th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:
AnJie Law Firm
19/F, Tower D1
Liangmaqiao Diplomatic Office Building
No. 19 Dongfangdonglu
Chaoyang District
Beijing, China

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal Advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law:
Peter Yuen & Associates
(in association with Fangda Partners)
26th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing, China

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

Reporting Accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F One Pacific Place 88 Queensway Hong Kong
Independent Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai, China
Internal Control Consultant	Baker Tilly Hong Kong Risk Assurance Limited 2nd Floor, 625 King's Road North Point Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road, Central Hong Kong
Selling Shareholder	Hang Yip Company Limited Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town, Tortola British Virgin Islands VG1110

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive, PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Corporate headquarters	Unit B, 17/F E-Trade Plaza, No. 24 Lee Chung Street Chai Wan Hong Kong
Principal place of business in Hong Kong	Unit B, 17/F E-Trade Plaza, No. 24 Lee Chung Street Chai Wan Hong Kong
Company's website	<u>www.yukwing.com</u> (The contents on this website do not form part of this prospectus)
Company Secretary	Mr. Jonathan Edward Chun-chung Chow <i>(Member of the Hong Kong Institute of Certified Public Accountants)</i> Flat B, 1/F, Block 4, Cavendish Heights 33 Perkins Road, Jardine's Lookout Hong Kong
Audit and compliance committee	Mr. Lok Man Richard Sung (<i>Chairman</i>) Mr. Chun Fung Lam Mr. Lewis Chan
Remuneration committee	Mr. Lewis Chan (<i>Chairman</i>) Mr. Kenneth Chan Mr. Lok Man Richard Sung
Nomination committee	Mr. Kenneth Chan (<i>Chairman</i>) Mr. Lewis Chan Mr. Chun Fung Lam

CORPORATE INFORMATION

**Authorized representatives
(for the purpose of the
Listing Rules)**

Mr. Tat Choi Chan
Flat C, 7/F, Block 8
Island Resort
28 Siu Sai Wan Road, Siu Sai Wan
Hong Kong

Mr. Jonathan Edward Chun-chung Chow
Flat B, 1/F, Block 4, Cavendish Heights
33 Perkins Road, Jardine's Lookout
Hong Kong

**Cayman share registrar and
transfer office**

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

Hong Kong Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance adviser

Octal Capital Limited
*a licensed corporation under the SFO and permitted to
carry out Type 1 (dealing in securities) and Type 6
(advising on corporate finance) of the regulated activity as
defined under the SFO*
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Principal bankers

Bank of China (Hong Kong) Limited
1 Garden Road, Central
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DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

The information that appears in this section reflects estimates of market condition based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information set out in this section has not been independently verified by our Group, the Selling Shareholder, the Sole Sponsor or any other party involved in the Public Offer and no representation is given as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

OVERVIEW OF FOUNDATION WORKS IN HONG KONG

Our customer base includes mainly foundation companies and contractors, and our business is therefore linked to the foundation industry in Hong Kong. According to the Frost & Sullivan Report, as the economy in Hong Kong is expanding steadily, it is anticipated that there will be more infrastructure and real estate projects developed, which will boost the application of rockdrilling equipment in various projects, including foundation engineering.

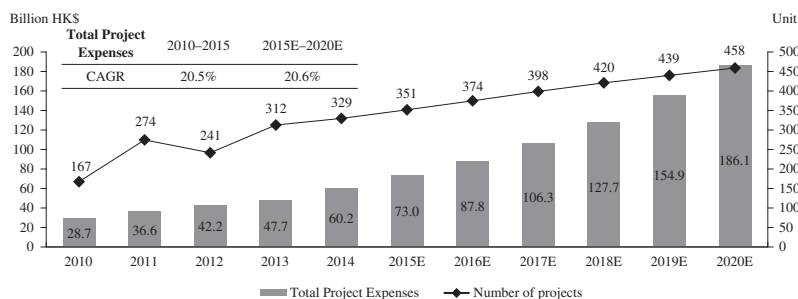
The gross value of piling and related foundation works had recorded significant growth from 2010 to 2015, and the growing trend is expected to continue from 2015 to 2020 at a CAGR of 15.0% and reach HK\$37.6 billion in 2020 due to planned development projects (such as the North East New Territories New Development Areas).

Hong Kong Real Estate Project Statistics

The number of real estate projects increased from 167 in 2010 to 351 in 2015 with total project expenses rising from HK\$28.7 billion in 2010 to HK\$73.0 billion in 2015, at a CAGR of 20.5% which was driven by the rising operation cost of the real estate projects. According to the Frost & Sullivan Report, it is expected that the total project expenses of real estate projects will increase to HK\$186.1 billion in 2020 at a CAGR of 20.6%.

According to the Frost & Sullivan Report, the growth in total real estate project expenses has exceeded the increase in the number of projects, indicating that the cost for each real estate project has seen a substantial increase in the recent years. As construction equipment is one of the main operation costs for the real estate projects, the increasing demand for the construction equipment and the surging cost of the equipment are likely to be the key factors of the increasing project expenses.

Real Estate Project Statistics, Hong Kong, 2010–2020E



Source: Hong Kong Census and Statistics Department, Frost & Sullivan

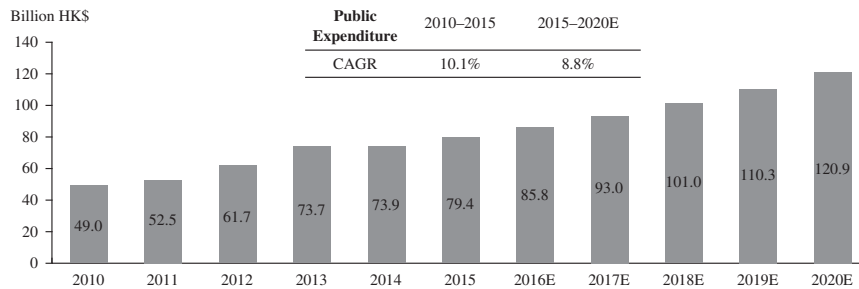
INDUSTRY OVERVIEW

Hong Kong Public Expenditure on Infrastructure

Driven by the strong demand for infrastructure in Hong Kong and the development of the Ten Major Infrastructure Plan, the public expenditure on infrastructure rose from HK\$49.0 billion in 2010 to HK\$79.4 billion in 2015 at a CAGR of 10.1%. According to the Frost & Sullivan Report, it is expected that the public expenditure on infrastructure in Hong Kong will reach HK\$120.9 billion in 2020 at a CAGR of 8.8%.

The commencement of the infrastructure projects has underpinned the economic development of Hong Kong in the recent years. This has stimulated the growth in the construction industry in Hong Kong with a surging demand for construction equipment such as DTH rockdrilling tools for the infrastructure work.

Public Expenditure on Infrastructure, Hong Kong, 2010–2020E



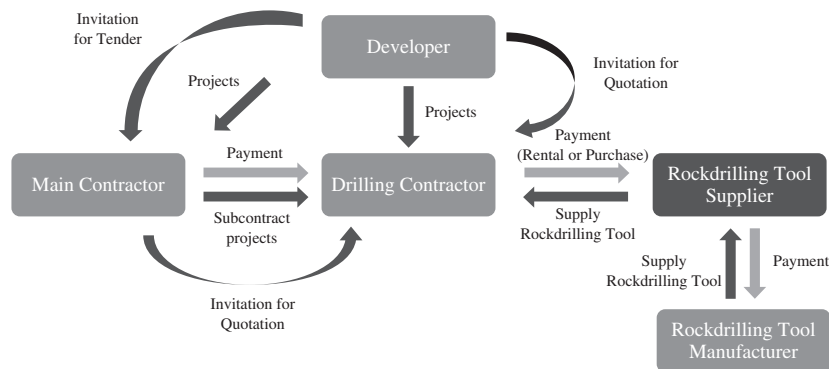
Source: Hong Kong Census and Statistics Department, Frost & Sullivan

OVERVIEW OF THE DTH ROCKDRILLING TOOL MARKET IN HONG KONG AND WORLDWIDE

Down-the-hole hammers, casing systems, button bits and bit openers are common DTH rockdrilling tools available in the market. DTH rockdrilling tools are categorized into three segments (light, medium and heavy) based on their size range and the common advantages of DTH rockdrilling include application to a variety of ground conditions, flexibility in choice of hole size, high accuracy, energy efficiency, relative safety and reduced disturbance to the environment.

Business Model

The business model of DTH rockdrilling tool companies is analyzed as below:



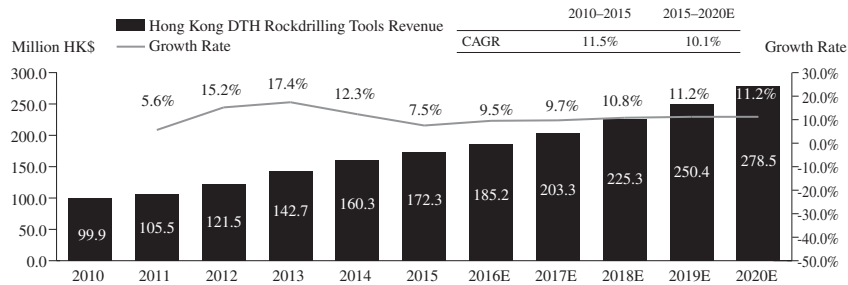
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Hong Kong Market Size and Growth Rate

The Hong Kong DTH rockdrilling tool industry has shown a stable growth from approximately HK\$99.9 million in 2010 to approximately HK\$172.3 million in 2015 at a CAGR of 11.5%, attributable to planned and commencement of key infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge and the railway extension projects during 2011 to 2013. According to the Frost & Sullivan Report, during the forecast period, it is expected that the market will maintain the growing trend to reach HK\$278.5 million in 2020 but at a slightly lower CAGR of 10.1% due to potential delays in the funding process of planned infrastructure projects.

DTH Rockdrilling Tool Market Size by Revenue, Hong Kong, 2010–2020E



Source: Frost & Sullivan

In Hong Kong, casing systems accounted for approximately 67.9% of overall DTH rockdrilling tool industry revenue in 2015 with a total revenue of HK\$117.0 million. Down-the-hole hammers recorded a revenue of HK\$30.6 million in 2015, which accounted for approximately 17.7% of total DTH rockdrilling tools revenue in the industry. Button bits and bit openers had a revenue of HK\$24.8 million in 2015 and contributed to approximately 14.4% of total DTH rockdrilling tools revenue in the industry.

Market Drivers

The DTH rockdrilling tool industry is likely to be driven by the strong demand for infrastructure and property development, the substantial demand for exploitation and energy and significant investment made by the Hong Kong government.

The rising trend in development projects may boost the demand for infrastructure in Hong Kong, including the ongoing Ten Major Infrastructure Projects. Further, a higher territorial development capacity was featured in the strategy “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030”. In terms of property development, a total of 16 residential sites were available for sale in 2015/16 under Land Sale Programme, which was the second highest record of flat production capacity (9,720 flats) since the introduction of this sale mechanism. As estimated, the aggregate private housing land supply in the same period with a capacity of producing 20,300 flats exceeded the land supply target of 19,000 flats, according to the Legislative Council Panel on Development. As a result, demand for DTH rockdrilling tools will likely increase.

With the global trend of escalating population and increasing demand for resources, sales volume of DTH rockdrilling tools may potentially be driven up due to its applications in mining process, natural resource (such as oil, gas and water) and precious metal (such as gold) exploitation. Furthermore, DTH rockdrilling tools can be used for geothermal drilling which may serve as an alternative energy resource to meet the rising demand for energy consumption, particularly in developing countries such as India.

According to the 2016–17 Budget announced by the Hong Kong government, the total public expenditure on infrastructure is estimated to reach HK\$86.1 billion in the same fiscal year. In view of the upcoming construction projects, such as the Third Runway Project of Hong Kong International

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Airport, and urban renewal plans, it is expected that investment into the projects may persist at a relatively high level and boost the sales and demand for related construction equipment such as DTH rockdrilling tools.

Market Constraints

Increasing cost of operation, unstable funding process of construction projects and limited amount of experienced labor are key constraints for DTH rockdrilling tool market.

The manufacture of DTH rockdrilling tools requires enormous investment and a stable supply of raw materials including alloy steel and tungsten carbide. Meanwhile, industrial specialists and production engineers are also required for mass production of DTH rockdrilling tools, and operators of the rockdrilling machineries serving end users also contributed to the increasing labor cost especially under the raised Statutory Minimum Wage in 2015 in Hong Kong. With the trend of inflation and limited resources, the rising cost of operation may pose financial pressures on manufacturers of DTH rockdrilling tools.

Prior to the commencement of construction projects in public sector, the funding details need to be passed by the Finance Committee of Legislative Council in Hong Kong. Any delay in the funding process may affect the budget and progress of large-scale construction projects which require foundation and related preparation work including piling and drilling. Without a smooth funding process and clear timeline, the allocation of budget and thus purchasing process for construction tools will be affected, especially for DTH rockdrilling tools which may be tailor made or purchased according to project requirements.

Well-trained specialists are required to operate DTH rockdrilling tools and rockdrilling equipment. Some equipment providers may appoint operators for onsite operation to their customers throughout the construction projects, and technicians for maintenance and troubleshooting. The aging population, shortage of talents in construction and related industry may further affect the number of experienced labor specializing in DTH rockdrilling tool industry.

Trends

Technical advancement, higher demand for tailor made solutions and rising environmental awareness are key trends in the DTH rockdrilling tool industry.

Manufacturers are investing in the research and development of new DTH rockdrilling tools to address common issues during applications, including wearing, corrosion and galling. With the advancement of technology and materials (such as the composition of alloy steel for button bits), it is expected that the durability of down-the-hole hammers, casing systems, button bits and bit openers could be improved. In addition, efficiency of DTH rockdrilling including penetration rate and depth is anticipated to improve significantly in the future.

To meet strict construction requirements such as low noise level, special ground conditions, penetration requirements and tight project timelines, tailor made DTH rockdrilling tools are highly preferred in order to meet the growing demand from end-users. Manufacturers of DTH rockdrilling tools may offer design services based on the requirements of customers in different projects such as tailor made casing systems and related accessories such as bit openers with specific size and diameter that enables drilling in specific rock conditions, hole size and depth.

Some DTH rockdrilling tools manufacturers have initiated scrap-recycling programs to collect parts and consumables in recent years and remanufactured the corresponding DTH rockdrilling tools such as button bits. According to the Frost & Sullivan Report, it is believed that more recycled materials will be

INDUSTRY OVERVIEW

incorporated into DTH rockdrilling tools and will be in compliance with the international standards such as ISO 14001. On the other hand, DTH rockdrilling tools have become a preferred option under the growing trend of energy-efficient construction and to meet noise regulations.

Cost Factors

Manufacturing cost, growing technical requirement and expenditure on service sector are the main cost factors for DTH rockdrilling tool manufacturers.

In general, operation costs account for a large proportion of expenditure for a DTH rockdrilling tool manufacturer, consisting of cost of labor, raw materials (including alloy steel and tungsten carbide) and utilities (such as electricity). As a result, fluctuating utilities cost and shortage of skilled labor may affect the overall operation costs, and subsequently influence the selling price of DTH rockdrilling tools.

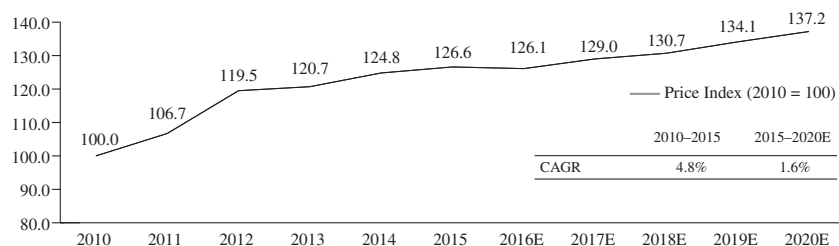
Apart from higher requirement from customers regarding the product specification and penetration rate, DTH rockdrilling tool manufacturers should take initiatives to carry out research and development activities for advanced technology in DTH rockdrilling in order to meet the demands in market. As a result, there will be additional expenditure on developing new DTH rockdrilling tools.

There are increasing numbers of DTH rockdrilling tool providers expanding their business in service sectors. For example, some providers may offer technical support and onsite operators to support rockdrilling work to their customers. The transition of business model from solely a DTH rockdrilling tool provider to solutions provider may boost up the revenue of a company but meanwhile requires significant investment.

Price Index of Key DTH Rockdrilling tools

According to the Frost & Sullivan Report, DTH rockdrilling tools has recorded an escalating price trend from a price index of 100.0 in 2010 to 126.6 in 2015, representing a CAGR of 4.8%. In the forecast period, the price index of DTH rockdrilling tools is expected to increase to 137.2 in 2020 at a CAGR of 1.6%, which is associated with higher product quality. Driven by the commencement of key infrastructure projects and the related demand for related rockdrilling tools, there was a more significant growth of price index from 106.7 in 2011 to 119.5 in 2012.

Price Index of DTH Rockdrilling Tool, Hong Kong, 2010–2020E



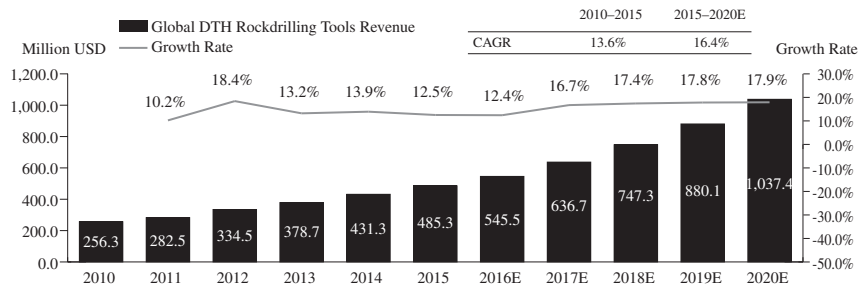
Source: Frost & Sullivan

Global Market Size and Growth Rate

With the growing demand for construction and mining, the global DTH rockdrilling tool industry has shown significant growth from USD256.3 million in 2010 to USD485.3 million in 2015, representing a CAGR of 13.6%. According to the Frost & Sullivan Report, the growing trend for the global DTH rockdrilling tools market size is expected to continue at a CAGR of 16.4% from 2015–2020 and reach USD1,037.4 million in 2020, driven mainly by substantial demand from energy exploration (e.g. geothermal energy), infrastructure development and urbanization in developing countries.

INDUSTRY OVERVIEW

DTH Rockdrilling Tool Market Size by Revenue, Global, 2010–2020E



Source: Frost & Sullivan

GLOBAL ENVIRONMENT FOR ROCKDRILLING EQUIPMENT APPLICATION

According to the Frost & Sullivan Report, the main global applications of rockdrilling equipment include mining and quarrying, tunneling, construction and civil engineering, anchoring and rock bolting and well boring. An analysis on rockdrilling equipment application in Europe, Asia, India and Canada is set out in the paragraphs below.

With the anticipated easing of the debt crisis and the growth of the construction industry, the rockdrilling equipment industry in Europe is expected to have a positive outlook in next few years. The Scandinavian region has experienced growth in its construction industry driven by the strong recovery from the financial crisis in the region. Moreover, the North European Arctic Region holds abundant natural resources. With the high global demand for minerals, mining activities have seen substantial growth in many parts of the region which implies a huge growth potential for rockdrilling equipment in Northern Europe.

The Japanese government is expecting a growth of foreign visitors to the country from 19.7 million in 2015 to 40 million by 2020 when the Olympic and Paralympic Games will be hosted in Tokyo in 2020. It has been reported that more large hotels will be built in Tokyo, Osaka and Nagoya with an increase to the limit on total floor area of these hotels, resulting in an increase in the demand for rockdrilling equipment for piling and foundation works.

India has seen rapidly growing demand for construction tools and equipment due to substantial demand for development. The country is expected to invest around USD1.0 trillion in infrastructural growth as highlighted in the 12th five-year plan (2012–2017) and World Bank has estimated that USD1.7 trillion is required for infrastructure investment in India by the end of the decade, which highlights the demand for rockdrilling equipment.

Road and railway is one of the main focus of infrastructure development of India. As announced by Minister of Road Transport and Highways of India, new roads in the country will be increased by 150,000 kilometers per year from 2016 as compared to the current rate of 96,000 kilometers per year. For railway, India has been encouraging the private sector to participate in railway projects through financing under private-public partnership. As a result, a strong demand for rockdrilling equipment is expected in the country.

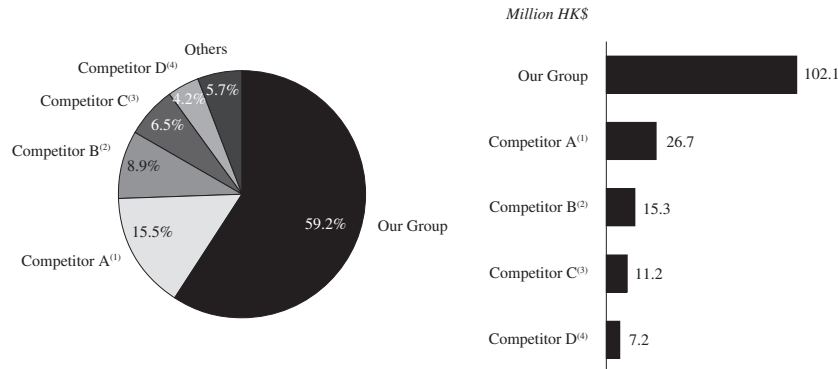
Mining and quarrying activities are one of the main applications of rockdrilling equipment in the Americas due to the strong global demand for precious and base metals driven by the stable growth of mining activities of minerals and metals. Canada’s rockdrilling equipment industry has been driven by a series of large scale infrastructure projects in recent years, including the “2014 New Building Canada Plan” which aims to enhance economic growth.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF THE DTH ROCKDRILLING TOOL INDUSTRY IN HONG KONG

Good reputation in the industry, reliable product quality, technical services and support and abundant project experience are key successful factors in the DTH rockdrilling tool industry.

DTH rockdrilling tool industry in Hong Kong was dominated by the top five players with a high market concentration at 94.3%, representing a revenue of HK\$162.5 million in 2015 with revenue for each player each ranging from approximately HK\$7.2 million to HK\$102.1 million. Our Group was the market leader in the DTH rockdrilling tool industry in Hong Kong with a market share of 59.2%, followed by Competitor A, Competitor B, Competitor C and Competitor D, with market shares of 15.5%, 8.9%, 6.5% and 4.2% respectively, in 2015.



Source: Frost & Sullivan

Notes:

- (1) Competitor A is engaged in the manufacturing of DTH rockdrilling tools and headquartered in the United Kingdom. It has an estimated revenue of HK\$26.7 million in 2015, covering the manufacture of down-the-hole hammers, button bits, drill tube, hammer lubrication oil, thread grease and oil lubricators.
- (2) Competitor B is engaged in the trading of piling and deep foundation equipment and headquartered in Hong Kong. It has an estimated revenue of HK\$15.3 million in 2015, covering the trade of down-the-hole hammers, drill rods and DTH bits.
- (3) Competitor C is engaged in the manufacturing, re-manufacturing and selling of DTH rockdrilling tools and headquartered in Hong Kong. It has an estimated revenue of HK\$11.2 million in 2015, covering the manufacture, re-manufacture down-the-hole hammers, underreaming/casing system, DTH button bits, drill rods and hammer splitter.
- (4) Competitor D is engaged in the manufacturing of machineries and equipment for construction and mining and headquartered in Sweden. It has an estimated revenue of HK\$7.2 million in 2015, covering the manufacture of adapters, hammers, DTH bits and pipes.

Our Group also ranked first among Hong Kong based companies in the global DTH rockdrilling tool industry in 2015, while Competitor C and Competitor B ranked second and third Hong Kong based companies respectively in terms of revenue in the global market in the same year. Our Group, Competitor C and Competitor B contributed to approximately 3.1%, 0.5% and 0.4% respectively in revenue to the global DTH rockdrilling tool industry in 2015.

Key Advantages of our Group

Among the top five DTH rockdrilling tool providers in Hong Kong, our Group offers the highest number of key DTH rockdrilling tools and the shortest average shipment time for self-manufactured products. Our Group has been providing a range of DTH rockdrilling tools from down-the-hole hammers, casing systems and drilling bits with various specifications to meet the clients' requirements. In addition, our Group is engaged in the trading of rockdrilling equipment.

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The Group has been supplying reputable and specialized drilling contractors in Hong Kong with DTH rockdrilling tools, with some clients being listed companies in Hong Kong taking part in major infrastructure project who have high standards on DTH rockdrilling tools. Moreover, technical support and other aftersales and value added services such as repairing services are also offered. With a successful track record of engineering projects, the Group has maintained good business partnerships with the major clients in the industry.

The Group has capability for research and development of DTH rockdrilling tools and own a variety of patents for self-designed products in Western countries (such as the United States, Russia, Canada and Australia) and a proven track record for current production and future innovation of offering various DTH rockdrilling tools to key customers.

Entry Barriers

New entrants to the DTH rockdrilling tool industry may encounter entry barriers such as high technical requirement, significant initial investment and existing relationships between existing players and customers.

The manufacture of DTH rockdrilling tools requires specific expertise in mechanical and chemical engineering, product design, raw material sourcing, testing, modification and aftersales technical support. As a result, new market entrants are likely to be deterred by the high technical requirements.

Significant investment is essential to start and sustain the business of the manufacture of DTH rockdrilling tools, including the construction of production facilities, research and development activities, labor, material supplies and warehouse, which could account for a substantial portion of the initial expenditure. Taking inflation into consideration, it is expected that the capital requirements may persist at a relative high level, which may hinder new entrants to the market.

In general, current DTH rockdrilling tool suppliers have built up close relationships with their customers. The successful application of DTH rockdrilling tools and the successful completion of rockdrilling projects, can generate customer satisfaction and strengthen partnerships between existing DTH rockdrilling tool suppliers and end users. Meanwhile, some tool providers in Hong Kong are offering tailor made DTH rockdrilling solutions, equipment rental service, technical support and other value-added services to further enhance the customer loyalty. Under these circumstances, new entrants may need to put in extra effort to acquire business from existing players.

Opportunities and Challenges

The development and growing demand for energy in emerging market are potential opportunities for application of DTH rockdrilling tools, while on the other hand the market may encounter challenges such as higher expectation from customers and an increasing number of Chinese brands in the market.

As announced in the 2016 Policy Address, it is estimated that 76,700 public rental housing units will be supplied in the next five years in Hong Kong, which will contribute to the growth of construction work in future. Furthermore, the commencement of network extensions of MTR (such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Kwun Tong Line Extension), urban redevelopment projects led by Urban Renewal Authority and other large scale projects (such as the West Kowloon Cultural District) have offered potential opportunities for the application of DTH rockdrilling tools.

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Global energy demand has been growing in the past years and the trend is expected to continue. Developing countries are likely to grow at a fast pace in terms of fuel consumption. According to the International Energy Agency, demand for oil in India is growing at a high level and its oil import dependence is estimated to reach over 90% by 2040. As a result, it is possible that DTH rockdrilling tools will acquire more extensive application in energy and mining sectors in India and other developing countries.

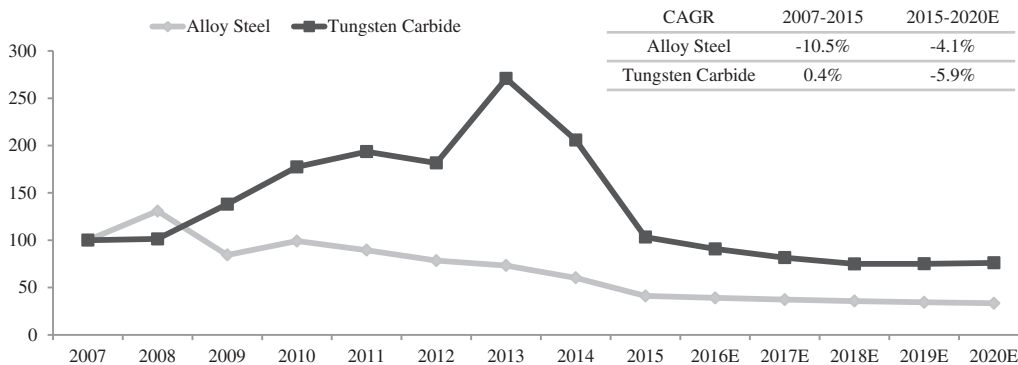
The strict requirements and tight deadlines for completion of construction projects in Hong Kong will become common issues for DTH rockdrilling tool providers. In the DTH rockdrilling tool industry, users expect efficient DTH rockdrilling tools and other parts to speed up the foundation, piling and other construction processes. As a result, DTH rockdrilling tool providers are required to adopt strategies such as enriching product portfolio, improving quality through additional investment on raw materials and composition of products and research and development, in order to cope with various requirements from customers.

There is a growing number of Chinese suppliers of DTH rockdrilling tools (such as down-the-hole hammers and button bits) with their production facilities set up in different provinces in China. Driven by trending globalization and online trading platforms, these DTH rockdrilling tools may be exported to other countries at a competitive price compared with other local products. The higher availability of DTH rockdrilling tools and the presence of Chinese brands may influence the preference of customers, especially for those with tight budgets.

PRICES OF KEY MATERIALS

Alloy steel and tungsten carbide are the major raw materials for manufacturing DTH rockdrilling tools. Therefore, the fluctuations of their prices have a huge impact on the cost structure and the profit margin of the manufacture of DTH rockdrilling tools. Alloy steel has seen an overall declining trend in prices at CAGR of -10.5% from 2007 to 2015. This has enhanced the price competitiveness of the DTH rockdrilling tools with the lowering of manufacturing costs. The price trend of tungsten carbide fluctuated over the last few years with an overall CAGR of 0.4% from 2007 to 2015.

Price Index of Alloy Steel and Tungsten Carbide, China, 2007–2020E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the DTH rockdrilling tool industry worldwide and in Hong Kong for the period from 2010 to 2020. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK\$580,000, which we believe reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in China and direct access to the knowledgeable experts and market participants in the DTH rockdrilling tool industry and its industry consultants, on average, have more than three years of experience.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of DTH rockdrilling tool industry worldwide and in Hong Kong for the prospective investors. The Frost & Sullivan Report includes information on DTH rockdrilling tool industry worldwide and in Hong Kong as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the DTH rockdrilling tool industry worldwide and in Hong Kong. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. On this basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect of that any fact has been omitted that would render such information false or misleading in any material respect.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications. Our Directors confirm that, after reasonable investigation, there has been no material adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact in any material respect on the information in this section.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environment is likely to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2016 to 2020, which ensures the stable and healthy development of the DTH rockdrilling tool industry worldwide and in Hong Kong.

LAWS AND REGULATIONS

This section sets out a summary of the main laws, regulations, rules and policies that govern our business operations in Hong Kong, the PRC, Finland, India, Japan and Macau.

HONG KONG LAWS AND REGULATIONS

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

The NRMM Regulation came into effect on June 1, 2015 to bring non-road mobile machinery (“NRMMs”) under control in line with environmentally advanced countries. NRMMs include a wide range of mobile machines, or vehicles powered by internal combustion engines used primarily off-road, whose emissions can cause environmental pollution and nuisance and have adverse health effects. Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under the NRMM Regulation. From September 1, 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. Starting from December 1, 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 November 30, 2015 will be exempted from complying with the emission requirements. A period of six months (from June 1, 2015 to November 30, 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption. Our Group may not lease or sell any machines that are subject to the NRMM Regulation (the “**Regulated Machines**”) after September 1, 2015 if we fail to obtain approval or exemption under the relevant sections of the NRMM Regulation at the time of the lease or sale transaction. The Group’s self-designed and manufactured products, being DTH rockdrilling tools which are not powered by internal combustion engines, are not NRMMs and are not subject to the NRMM Regulation. Further, as of the Latest Practicable Date, our Group has obtained approval or exemption for all of our Regulated Machines.

Pursuant to a technical circular issued by the Works Branch of the Development Bureau on February 8, 2015 (the “**Technical Circular**”), an implementation plan to phase out the use of four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been included in the Technical Circular (the “**Implementation Plan**”), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding \$200 million and tenders invited on or after June 1, 2015 shall require the contractor to allow no exempted generator and air compressor to be used after June 1, 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from June 1, 2015, June 1, 2017 and June 1, 2019 respectively. Notwithstanding the Implementation Plan, exempted NRMMs may still be permitted at the discretion of the respective architect/engineer designated by the government if there is no feasible alternative. In accordance with a Legislative Council Brief issued by the EPD in January 2015 (the “**LC Brief**”), the panel in general supported the Development Bureau to require its construction contractors to progressively increase the use of NRMMs over four years in large-scale public work upon the enactment of the NRMM Regulation, although the LC Brief did not specify the contract sum of large-scale public work and it is conceded that it would not be practicable to set a mandatory retirement age for NRMMs across the board.

LAWS AND REGULATIONS

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) providing and maintaining plant and work systems that are, so far as reasonably practicable, safe and without risks to health;
- (b) making arrangement for ensuring, so far as reasonably practicable, 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, instruction, training and supervision to employees as may be necessary to ensure, so far as reasonably practicable, safety and health;
- (d) providing and maintaining the workplace, and safe access to and egress from the workplace that are, so far as reasonably practicable, safe and without risks to health; and
- (e) providing and maintaining work environment that is, so far as reasonably practicable, safe and without risks to health.

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

The Commission 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.

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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).

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

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

The Minimum Wage Ordinance establishes a statutory minimum wage regime to provide for a minimum wage at an hourly rate for employees employed under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), save for stipulated exceptions.

Statutory minimum wage becomes effective on May 1, 2011 and with effect from May 1, 2015, the minimum wage rate is currently set at HK\$32.5 per hour.

The Minimum Wage Commission must report on any recommended changes in statutory minimum wage at least once in every two years to the Chief Executive in Hong Kong, and the Chief Executive may adjust the statutory minimum wage having regard to such recommendation.

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

Employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 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 an 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 June 1, 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after June 1, 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 June 1, 2014 or HK\$1,500 on or after June 1, 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 June 1, 2014 or HK\$30,000 on or after June 1, 2014).

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.

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Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the “IAEO”)

The IAEO and its sub-legislation, provide for the regulation and the control of, among other things, the import and export of articles into or out of Hong Kong.

Lodging of import or export declarations with the Customs and Excise Department of Hong Kong (“HK Customs”)

Under regulation 4 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (“IAERR”), an importer of articles other than an exempted article shall lodge with the HK Customs an accurate and complete import declaration through a specified provider of “Government Electronic Trading Services” within 14 days from the date of import, unless there is a reasonable excuse. Regulation 5 of IAERR imposes a similar obligation on an exporter of articles other than exempted article.

Any person who fails to lodge such declaration(s) within the prescribed 14 days period, with or without reasonable excuse, shall be liable, in addition to any other penalty or charge, to pay to the HK Customs a penalty in respect of such failure (the range of the late penalty is provided by regulation 7 of IAERR, from HK\$20 to HK\$200 per incident depending on the time of lodging the declaration and the total value of the articles specified in the declaration). In addition to the above late penalty, any person who fails to lodge the required declaration beyond the prescribed 14-day period without reasonable excuse (or where there is a reasonable excuse, but the declaration is not lodged as soon as is practicable after the cessation of such excuse) shall be guilty of an offence and shall be liable on summary conviction to a fine of HK\$1,000, and, commencing on the day following the date of conviction, to a fine of HK\$100 in respect of every day during which his failure or neglect to lodge the declaration in that manner continues.

It is further provided under Section 36(c) of the IAEO that, any person who, in respect of, among other things, any declaration, document or article required to be lodged with the Director-General of Trade and Industry, Deputy or Assistant Director-General of Trade and Industry, an authorized officer or member of the Customs and Excise Service, makes or causes to be made any statement or furnishes or causes to be furnished any information which is false or misleading in a material particular or omits any material particular shall be guilty of an offence and shall be liable on conviction to a fine of HK\$500,000 and to imprisonment for 2 years, unless he satisfies the court or magistrate that he did not know and had no reason to believe the statement or information to be false or misleading or the omission to be material.

Importing or exporting cargo

Under Section 18 of the IAEO, any person who: (a) imports any unmanifested cargo; or (b) exports any unmanifested cargo, shall be guilty of an offence and shall be liable (i) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and (ii) on conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 7 years. It shall be a defence to a charge under this section if the defendant proves that he did not know and could not with reasonable diligence have known that the cargo was unmanifested.

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Under Section 18A(1) of the IAEO, any person who knowingly (a) has possession of any cargo; (b) assists with the carrying, removing, depositing, harbouring, keeping or concealing of any cargo; or (c) otherwise deals with any cargo, with intent to export the cargo without a manifest or with intent to assist another person to export the cargo without a manifest, is guilty of an offence and liable (i) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and (ii) on conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 7 years.

Under Section 35A(1) of the IAEO, any person who knowingly: (a) has possession of any article, the carriage of which is restricted under the IAEO; (b) has possession of any article, the export of which is prohibited under any law in force in Hong Kong or is prohibited other than in accordance with a licence issued under the IAEO; (c) assists with the carrying, removing, depositing, harbouring, keeping or concealing of any article, the carriage of which is restricted under the IAEO; (d) assists with the carrying, removing, depositing, harbouring, keeping or concealing of any article, the export of which is prohibited under any law in force in Hong Kong or is prohibited other than in accordance with a licence issued under the IAEO; (e) otherwise deals with any article, the carriage of which is restricted under the IAEO; or (f) otherwise deals with any article, the export of which is prohibited under any law in force in Hong Kong or is prohibited other than in accordance with a licence issued under the IAEO, with intent to evade the restriction or prohibition or to assist another person to evade the restriction or prohibition, is guilty of an offence and liable: (i) in the case where contravention of the restriction or prohibition is punishable otherwise than as an indictable offence, on conviction to a fine of HK\$500,000 and to imprisonment for 2 years; or (ii) in the case where contravention of the restriction or prohibition is punishable as an indictable offence: (A) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and (B) on conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 7 years.

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- (a) providing and maintaining plant and work systems that do not endanger safety or health;
- (b) making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- (c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (d) providing and maintaining safe access to and egress from the workplaces; and
- (e) providing and maintaining a safe and healthy work environment.

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A proprietor of an industrial undertaking who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes these duties willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

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 two major areas of anti-competitive conduct described as the first conduct rule and the second conduct 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.

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 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 Competition 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.

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Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”) sets out certain provisions in relation to transfer pricing. Section 20(2) of the IRO provides that where a resident person conducts transactions with a “closely connected” non-resident person in such a way that if the profits arising in Hong Kong are less than the ordinary profits that might be expected to arise, the business performed by the non-resident person in pursuance of his or her connection with the resident person shall be deemed to be carried on in Hong Kong, and the non-resident person shall be assessable and chargeable with tax in respect of his or her profits from such business in the name of the resident person. Section 20A of the IRO gives the Inland Revenue Department (the “**IRD**”) wide powers to collect tax due from non-residents.

The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.:

The IRD has outlined its views on transfer pricing issues by issuing a Departmental Interpretation and Practice Note 46 (“**DIPN 46**”) in December 2009 on Transfer Pricing Guidelines — Methodologies and Related Issues. As stated in DIPN 46, transfer pricing documentation is not mandatory under the IRO and the taxpayers are not expressly required to create specific documents showing compliance with the arm’s length principle.

PRC LAWS AND REGULATIONS

PRC Laws and Regulations relating to Foreign Investment

The Foreign-invested enterprises in China are governed by the Company Law of the PRC, the Guidance of Direction of Foreign Investment Provisions (《指導外商投資方向規定》), the Administrative Measures for the approval and Record-filing of Foreign-invested Projects (《外商投資專案核准和備案管理辦法》), the Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) and other laws and regulations.

Catalog of Industries for Guiding Foreign Investment

According to the Guidance of Direction of Foreign Investment Provisions (《指導外商投資方向規定》) which was issued on February 11, 2002 and effected on April 1, 2002, the Foreign-invested industries are divided into four categories, namely, the encouraged catalog, the permitted catalog, the restricted catalog and the prohibited catalog. The Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) as amended from time to time involves the encouraged catalog, the restricted catalog and the prohibited catalog, and for the industries which do not fall into the aforementioned categories are included in the permitted category. Encouraged foreign investments are eligible to receive certain benefits and incentives from the PRC Government, which may change from time to time; permitted foreign investments are permitted without restrictions, but are not eligible for benefits or incentives from the government; restricted foreign investments are permitted but subject to certain restrictions; and prohibited foreign investments are not allowed. Foreign investors and foreign-invested enterprises in China are governed by the Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) as effective when foreign investors establish a foreign-invested enterprise or

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the foreign-invested enterprises establish an enterprise in China. According to the latest Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》), rockdrilling machinery manufacture falls into the encouraged catalog.

PRC Laws and Regulations relating to Intellectual Property

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》), effected on April 1, 1985 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, and its Implementing Regulations (《中華人民共和國專利法實施細則》), effected on July 1, 2001 and amended on December 28, 2002 and January 9, 2010, there are three kinds of patent: patent for an invention, patent for utility models and design patent. The patent term for an invention is 20 years from the date when a patent application is submitted; the patent term for utility models or a design patent is 10 years from the date when a patent application is filed. The patent is authorized by the State Intellectual Property Office and after approved, a patent certificate will be issued. Meanwhile, relevant records and announcements should be made. Such patent becomes effective after the State Intellectual Property Office makes an announcement of approval. If any persons or entities use such patent or do any other acts which infringe the patent rights without any power of attorney from the patent owners, such persons or entities will be liable to indemnify such patent owners and will be fined by any administrative authorities or be investigated for criminal responsibility (as appropriate) (depending upon the circumstances).

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》), effected on March 1, 1983, and amended on February 22, 1993, October 27, 2001 and August 30, 2013, and its Implementation Regulations (《中華人民共和國商標法實施條例》), effected on September 15, 2002 and amended on April 29, 2014, the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) is responsible for the registration and administration of trademarks across the country. The term of a registered trademark is 10 years from the date on which it is registered and may be extended thereafter, with each extension for 10 years. If any persons or entities use such registered trademarks or do any other acts which infringe the rights to such trademarks without any power of attorney from the holders of such registered trademarks, such persons or entities will be liable to indemnify such trademark holders and will be fined by any administrative authorities or be investigated for criminal responsibility (as appropriate) (depending upon the circumstances).

PRC Laws and Regulations relating to Taxation

Value-Added Tax

According to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), effected on January 1, 1994 and amended on November 10, 2008, and its implementation rules (《中華人民共和國增值稅暫行條例實施細則》) effected on January 1, 1994 and amended on December 15, 2008 and October 28, 2011, except stipulated otherwise, the tax rate for VAT payers who are selling or importing goods, and providing processing repairs and replaced services in the PRC shall be 17%. The small-scale taxpayers of the tax rate for value-added shall be 3%. The standards for the small-scale taxpayers are as follows: (i) a taxpayer engaged in production of goods or provision of taxable services and a taxpayer mainly engaged in production of goods or provision of taxable services

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and in wholesale or retail of products at the same time, whose annual sales amount subject to VAT (hereinafter referred to as the taxable sales amount) is less than RMB500,000 (inclusive, the same below); and (ii) in addition to the (i), whose annual taxable sales amount is less than RMB800,000. The “taxpayers engaged in production of goods or provision of taxable services principally” means that the taxpayers whose sales amount of the annual production of goods or provision of taxable services is more than 50% of their annual taxable sales amount.

According to Administrative Measures for Tax Rebate (Exemption) of Exported Goods (for Trial Implementation) (《出口貨物退(免)稅管理辦法(試行)》), effected on May 1, 2005, and Notice of Ministry of Finance and State Administration of Taxation on Adjusting the Export Tax Rebate Rate (《財政部、國家稅務總局關於調整出口貨物退稅率的通知》), effected on January 1, 2004, as regards proprietary goods exported by an exporter or goods exported thereby upon entrustment, except as otherwise specified, after export customs declaration and financial accounting for sales, the exporter may report to the office of the State Administration of Taxation at the domicile thereof for the approval of rebate or exemption of value-added tax (VAT) or consumption tax on the strength of relevant vouchers. Commodities with current value added tax rate of 17% and tax rebate rate of 13% as specified in existing tax policies shall remain unchanged.

According to the Notice issued by the MOFCOM and SAT that the trial on the Railway Transportation and the Postal Service to replace the business tax with a VAT, research and development and technical services are included in the taxable services. The tax rate for VAT payers who are providing services for the modern industry (except personal property leasing) in the PRC shall be 6%. The tax rate for small-scale taxpayers shall be 3%.

Enterprise Income Tax

Under the EIT Law, which was issued on March 16, 2007 and became effective on January 1, 2008, and its Implementation Rules (《中華人民共和國企業所得稅法實施條例》), which was issued on December 6, 2007 and became effective on January 1, 2008, the tax rate for both domestic-invested enterprises and foreign-invested enterprises is 25%.

PRC Laws and Regulations relating to Environment Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) effected on December 26, 1989 and amended on April 24, 2014, the Ministry of Environment Protection is responsible for the overall supervision and management of the environment across the country and for the creation of the national environmental quality standards, pollution disposal standards and a system for the supervision of the environment in China. Provincial governments may create local environment quality standards if no provisions have been made in the national standards with respect to any pollutants disposal. A provincial government may create any local environmental quality standards stricter than the national environmental standards in respect of any environmental items and such local environmental quality standards shall be filed with the Ministry of the Environment Protection for record.

According to the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) issued on October 28, 2002 and effected on September 1, 2003, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was issued and effected on December 29, 1998 and the Classification Management Directory of

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the Construction Project Environmental Impact (《建設項目環境影響評價分類管理名錄》) effected on October 1, 2008 and amended on April 9, 2015, classification management is implemented in respect of any environmental impact of a construction project on the basis of degree of such impact of the construction project on the environment. The environmental impact assessment of the construction project should be made by a qualified institution by preparing an environmental impact report, an environmental impact report form or an environmental impact registration form on the basis of the following principles: (i) an environmental impact report shall be prepared to assess such environmental impact in an overall manner if a construction project may have a material environmental impact; (ii) an environmental impact report form shall be prepared to analyze or assess in respect of a special item which will produce an environmental impact if a construction project may have a minor environmental impact; (iii) no environmental impact assessment is required if a construction project has a minimum environmental impact, but an environmental impact registration form shall be completed. No construction project can commence before the environmental impact assessment documents for the construction project have been approved by the relevant competent environmental authorities. After the construction is completed, the constructor shall apply to the competent environmental authorities for an examination and acceptance of the environment-protected facilities as an integrated construction for the main part of the construction project. The environment-protected facilities shall be inspected and accepted at the same time when the main part of the construction project is inspected and accepted. If a construction project is built, put into production or used by stages, the corresponding environment-protected facilities shall also be inspected and accepted by stages.

According to the Environment Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) effected on November 1, 1984 and amended on May 15, 1996 and February 28, 2008, the Implementation Rules of the Water Pollution Prevention and Treatment Law of the PRC (《中華人民共和國水污染防治法實施細則》) effected on September 1, 1989 and amended on March 20, 2000, the Law of the PRC on the Prevention and Treatment of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》) effected on April 1, 1996 and amended on December 29, 2004, June 29, 2013 and April 24, 2015, the Law of the PRC on the Prevention and Treatment of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) effected on June 1, 1988 and amended on August 29, 1995, April 29, 2000 and August 29, 2015 and Law of the PRC on Prevention and Treatment of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》) issued on October 29, 1996 and effected on March 1, 1997, every facility which is used to prevent and treat pollution for a construction project shall be at the same time designed, constructed and used with the main part of a project. Such prevention and treatment facilities must be in compliance with the requirements in the environmental evaluation documents approved and such facilities must not be removed or kept idle. In order to dispose the pollutants, enterprises shall obtain pollution licenses and must report to and record with the administrative environmental protection authorities in respect of any pollutant discharge. Such enterprise must comply with the national and local discharge standards in its daily operations in respect of water pollutants, solid waste, exhaust gas, noise and other pollutants.

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PRC Laws and Regulations relating to Labor Protection and Social Insurance

According to the Labor Law of the PRC (《中華人民共和國勞動法》) effected on January 1, 1995 and amended on August 27, 2009, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) effected on January 1, 2008 and amended on December 28, 2012 and the Regulations on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which were issued and became effective on September 18, 2008, an employer must enter into a written labor contract with any employees and the wage or salary must not be lower than the local minimum wage or salary. In addition, an employer must create a system related to occupational health and safety, provide job training for employees to avoid occupational hazards and protect the rights of employees. When an employer hires any employee, such employer must inform the employee of the work content, work conditions, work place, occupational hazards, safety conditions and Labor compensations.

According to the Law of the PRC on Safe Production (《中華人民共和國安全生產法》), effected on November 1, 2002 and amended on August 27, 2009 and August 31, 2014, a manufacturing enterprise must comply with the laws, rules and regulations related to safe production, strengthen the safety management, create and improve the safety production responsibility system, improve the conditions for safe production and promote the work safety standardization so as to improve and ensure safe production. No production is allowed if such manufacturing enterprise has no such safe working conditions in place as provided by the laws, rules and regulations. The manufacturing enterprise must enter into a labor contract with its employees, in which all matters related to protection of labor safety for the employees and other matters with respect to work-injury insurance handled by the manufacturing enterprise according to the law shall be included.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was issued on October 28, 2010 and effected on July 1, 2011, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was issued and effected on January 22, 1999, the Provisional Measures on Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》), issued on December 14, 1994 and effected January 1, 1995, the Regulations on Unemployment Insurance (《失業保險條例》), which was issued and effective on January 22, 1999, and the Regulations on Work Related Injuries (《工傷保險條例》), effected on January 1, 2004 and amended on December 20, 2010, an employer must make contributions to a number of social security funds for its employees, including the basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance. According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), effected on April 3, 1999 and amended on March 24, 2002, an employer must open a housing fund account with the department responsible for the management of housing fund for its employees and make contributions to such housing fund.

PRC Laws and Regulations relating to Product Quality

The PRC Product Quality Law (《中華人民共和國產品質量法》), effected on September 1, 1993 and amended on August 27, 2009. Under the PRC Production Quality Law, industrial products that impose possible health or safety threats to human being or property must comply with relevant national and industry standards. Production and sale of industrial products that are inconsistent with such standards and requirements are prohibited. The State Council is authorized to promulgate specific administrative measures with respect to the matter.

LAWS AND REGULATIONS

Violations of the Product Quality Law will result in various penalties, including being ordered to take corrective actions within a specified time, suspension of business, confiscation of illegal proceeds and payment of fine in accordance with the particular circumstances. In serious circumstances, business licenses will be revoked and criminal offences will be charged. Enterprises and persons directly responsible for the offences may be subject to criminal liability.

PRC Laws and Regulation relation to the Foreign Exchange Control

Renminbi is the legal currency of the PRC and is not freely convertible due to foreign currency control. The SAFE is responsible for all matters related to foreign exchange, including the implementation of foreign exchange control regulations.

According to the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), effected on April 1, 1996 and amended on January 14, 1997 and August 5, 2008, every foreign exchange receipt under the current account may be kept or sold to a financial institution which operates foreign exchange settlement or selling business. Approval is required from the administration of foreign exchange if any foreign exchange receipt under capital accounts is to be kept or sold to a financial institution which operates foreign exchange settlement or selling business, unless the state regulations provide that no approval is required.

The Notice on Further Improving and Adjusting Foreign Administration Policies for Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) (“**Notice 59**”), effected on December 17, 2012, and amended on May 4, 2015, simplified the procedure of approval. Approval from the SAFE is no longer required for the opening of a foreign exchange account or the entry of any amount in the foreign exchange accounts under direct investment. Accordingly, based on the client’s request, the chosen bank can open the account for this client according to the information registered in the relevant system of the Bureau of Foreign Exchange. Meantime, Notice 59 also cancels the approval for the foreign investors to re-invest in China with their PRC-source legal income.

The Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued on February 13, 2015 and effected on June 1, 2015, provides that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank. PRC residents who conduct foreign invest with their onshore assets or interests, shall apply to the bank where the assets or interests located for the foreign exchange registration of a special purpose vehicle.

The Notice of Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (Circular 19) (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), which was issued on March 30, 2015 and became effective on June 1, 2015. Circular 19 reforms the administration of conversion of foreign currency registered capitals of foreign invested enterprises. Circular 19 adopts a concept of “discretionary settlement”, which is defined in Circular 19 as the settlement of a foreign invested enterprise’s foreign currency registered capital in accordance with the enterprise’s actual business needs. No review of the purpose of the funds is required at the time of settlement under Circular 19. However, use of any Renminbi funds converted from its

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registered capital shall be based on true transactions, and the Renminbi funds obtained by foreign invested enterprises from the discretionary settlement of foreign currency registered capitals shall be managed under the accounts pending for foreign currency settlement payment.

PRC Laws and Regulations relating to Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the Company Law of the PRC, effected on July 1, 1994, and amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, and the Foreign Investment Enterprise Law of the PRC (《中華人民共和國外資企業法》), effected on April 12, 1986 and amended on October 31, 2000 and its Implementation Rules (《中華人民共和國外資企業法實施細則》), effected on December 12, 1990 and amended on April 12, 2001 and February 19, 2014. Under the laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. And foreign-invested enterprises shall make allocations to reserve funds and to bonus and welfare funds for their employees from their profits after paying income tax in accordance with China's tax laws, and such enterprises are required to allocate at least 10% of their respective accumulated profits after-tax each year, when the accumulated reserves reach 50% of the registered capital of the enterprises, the further amount of reserve may not be requested. These reserves cannot be distributed as cash dividends. The board of directors of a foreign-invested enterprise can independently decides their allocation rates of bonus and welfare funds for their employees, and decides the rest of after-tax profits being retained or not. Foreign investment enterprises shall not distribute any profits until the previous losses in the past fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with the current distributable profits.

PRC Laws and Regulations relating to Anti-Unfair Competition

According to the Anti-unfair Competition Law of the PRC (《反不正當競爭法》), which was issued on September 2, 1993 and became effective on December 1, 1993, transactors who bribe by giving money or properties or using any other method in order to sell or purchase the commodities and violate the Criminal Law, shall be investigated in accordance with the Criminal Law; if the acts as mentioned do not violate the Criminal Law, the supervisor may fine in the range which is superior to RMB10,000 and inferior to RMB200,000 according to the facts, and confiscate the illegal incomes.

PRC Laws and Regulations relating to the Special Tax Adjustment

According to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》), issued on March 16, 2007, which came into effect on January 1, 2008, and the relevant Implementation Rules (《中華人民共和國企業所得稅法實施條例》), issued on December 6, 2007 and came into effect on January 1, 2008, when the PRC tax authorities investigate the affiliated transactions of an enterprise, the enterprise and its affiliates, and also other enterprises in connection with such affiliated transaction investigation, shall provide relevant information as required, including materials for the Time Periods of Associated Transactions.

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According to the Implementing Measures for Special Tax Adjustment (Trial)(《特別納稅調整實施辦法(試行)》), which came into effect on January 1, 2008, and the Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》), which came into effect on June 29, 2016, (i) the resident enterprises subject to payment of tax on the basis of actual profit and (ii) the non-resident enterprises that have offices and premises within the PRC and file tax return and pay enterprise income tax according to the actual circumstances, shall make affiliated declarations regarding their business dealings with affiliated parties, when filing annual returns for enterprise income tax with tax authorities, with the Report Form on Annual Affiliated Business Dealings of Enterprises in the People's Republic of China (Version 2016). Enterprises which meet certain conditions are not required to prepare and submit the contemporaneous transfer pricing documentation regarding their related party transactions to the PRC tax authorities. Such conditions include where the sales and purchase transactions of the enterprise with related parties are less than RMB200 million per annum and the annual amount for all other types of related party transactions of the enterprise is less than RMB40 million in aggregate.

PRC tax authorities are empowered to select enterprises for investigation, and conduct investigations and adjustments of transfer pricing pursuant to the provisions of taxation inspection as specified under the Law of the PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and the relevant Implementing Rules (《中華人民共和國稅收徵收管理法實施細則》). The enterprise under investigation must disclose accurate information pertaining to associated transactions without concealment. Tax authorities carrying out investigations on transfer pricing are empowered to require (i) enterprises under investigation, (ii) their associated parties and (iii) other relevant enterprises to provide relevant documents, and serve the comparable companies with the Notice on Tax-related Matters.

Where the investigation results of taxation authorities show that transactions between associated enterprises comply with the arm's length principle, taxation authorities shall prepare the relevant transfer pricing investigation conclusion, and serve the Notification of Special Tax Investigation Conclusion on the enterprises in question. On the other hand, where the investigation results of taxation authorities suggest that transactions between associated enterprises do not comply with the arm's length principle, which would have resulted in the reduction of the relevant enterprise's income or taxable income, taxation authorities shall make transfer pricing tax adjustments according to the procedures prescribed by the PRC laws and regulations.

Enterprises that fail to submit annual report forms in relation to associated transactions to taxation authorities, or fail to preserve concurrent documentation or other relevant documents as required, shall be ordered by the tax authorities to carry out rectification actions within a time limit, and may also be imposed with a fine of no more than RMB2,000. If the relevant circumstances are serious, the enterprises may be fined an amount of no less than RMB2,000 but no more than RMB10,000. Where an enterprise refuses to provide taxation authorities with relevant materials and other information on associated transactions, or provides false or incomplete data that cannot accurately reflect the actual circumstances of associated transactions, PRC taxation authorities shall have the right to verify the relevant enterprise's taxable income in accordance with PRC laws and regulations, and the enterprise shall be ordered by the tax authorities to carry out rectification actions. The enterprise in question may also be imposed with a fine of no more than RMB10,000. If the circumstances are serious, the enterprise shall be fined an amount of no less than RMB10,000 but no more than RMB50,000.

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FINLAND LAWS AND REGULATIONS

Finland Laws and Regulations relating to Product Liability

The Product Liability Act came into effect on September 1, 1991 (the “**Product Liability Act**”). The Product Liability Act complies with the regulations of the European Union regarding product liability, namely the directive on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (85/347/EEC), as amended (1999/34/EC). The Product Liability Act concerns mainly damage caused to an individual or property by a product and the compensation of said damage. The term product, as referred to in the Product Liability Act, refers to all movable property, and applies to damage caused by a product, even though the product was attached to another piece of movable property. The Product Liability Act does not apply to damage caused by a product to the product itself, or damage caused by a component to a product, if the component was attached to the product before the product was issued. This kind of liability could nevertheless be found in most purchase contracts and under general Finnish contractual law principle the seller is generally obliged to know its product in a way that it can represent and warrant that the product can be used for the intended use of the purchaser, this liability would exist even without an explicit representation in the purchase contract.

Generally speaking and according to the Product Liability Act, the liable parties shall include: (i) the party which has manufactured or produced the product which has caused the injury or damage; (ii) the party which has imported the product into the European Economic Area with the intention of putting it into circulation there; (iii) the party which has imported the product from a Member State of the European Free Trade Association (“**EFTA country**”) into the European Community, from the European Community into an EFTA country or from an EFTA country into another EFTA country with the intention of putting it in circulation; as well as (iv) the party which has marketed the product which has caused the injury or damage as his/her own if the product is labelled with his/her name, trade mark or other distinguishing feature.

According to the Product Liability Act compensation must be paid due to damage caused by a product not being as safe as can be expected. If the damage is caused by insufficient safety of a component, the damage is seen to be caused by the product and the component. The burden of proof regarding the damage, the lack of safety and the causality lies on the individual who has suffered the damage. The amount of damages is defined by the Tort Liability Act, 412/1974, as amended.

INDIA LAWS AND REGULATIONS

India Laws and Regulations relating to the Sale of Goods

The Sale of Goods Act, 1930 (the “**Sale of Goods Act**”) regulates, among other things, the sale of existing or future goods in India, ascertainment of price, conditions and warranties, delivery of the goods, rights of unpaid seller, transit of goods, damages for non-acceptance and non-delivery and remedy for breach of warranty. Under the Sale of Goods Act, subject to certain conditions, there is an implied condition that goods sold in India are: (i) reasonably fit for the purpose for which they are sold (if the purpose for which the goods are required by the buyer is made known by the buyer to the seller, and the goods are of a description which are supplied in the course of the seller’s business); or (ii) of merchantable quality (when purchased from a seller who deals in goods of that description).

LAWS AND REGULATIONS

India Laws and Regulations relating to Competition

The Competition Act, 2002 (the “**Competition Act**”) seeks to prevent practices that could have an appreciable adverse effect on competition in India. Under the Competition Act, any arrangement, understanding or action in concert, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition within India (an “**Anti-Competitive Agreement**”) is void and prohibited, and parties to such practices may be subject to penalties. In addition, parties to Anti-Competitive Agreements may also be liable to pay compensation for losses suffered as a result of the contravention of the Competition Act. Any agreement that directly or indirectly determines purchase or sale prices, limits or controls production, supply, markets, technical development, investment or provision of services, or creates market sharing by way of geographical area, type of goods or services or number of customers in the market or which involves bid rigging is presumed to have an appreciable adverse effect on competition and will be void and prohibited. Further, any other agreement which causes or is likely to cause an appreciable adverse effect on competition in India is void and prohibited under the Competition Act.

JAPAN LAWS AND REGULATIONS

Japan Laws and Regulations relating to Product Liability

The primary purposes of the Product Liability Act of Japan (Act No. 85 of 1994, as amended), are to protect consumers against injury caused by defective products, and thereby to improve national living standards and for the development of the economy generally. The scope of products subject to the Product Liability Act is defined as manufactured or processed items of movable property. The manufacturer, processor, or importer (hereinafter, the “**Manufacturer**”) of such items bears the liability for any defect in the items. However, the Manufacturer may be exempted from bearing the liability for the defect if the Manufacturer is able to prove (i) that the defect in such product could not have been discovered given the state of scientific or technical knowledge at the time when the Manufacturer delivered the product, or (ii) that, where the product is a component or ingredient of another product (“**Final Product**”), the defect occurred primarily because of compliance with the instructions on the design of that Final Product given by the customer and the Manufacturer was not negligent and had simply followed the instructions of the customer.

Japan Laws and Regulations relating to Competition

The primary purposes of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan (Act No. 54 of 1947, as amended; hereinafter the “**Anti-Monopoly Act**”) are to promote fair and free competition, and thereby for the democratic and sound development of the national economy, and to ensure the interest of general customers. The Anti-Monopoly Act aims to achieve its goals by prohibiting: (i) unreasonable restraint of trade; (ii) private monopolization; (iii) unfair trade practices; and (iv) business combinations which substantially restrain competition, and by requesting that entrepreneurs give prior notification with respect to any business combination of a certain scale or more.

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As to (iii) unfair trade practices described above, the following modes of transaction are, amongst others, prohibited by the Anti-Monopoly Act and regulations thereunder as the “unfair trade practices” which may interfere with fair competition in a relevant market: (1) unreasonable refusals of transaction; (2) unreasonable price discriminations; (3) forced entrance into transactions; (4) transactions with unreasonable restraint conditions; (5) abuses of dominant position; and (6) interference with competitors. Such prohibited transactions include, for example, fixing a price which distributors have to sell imported products at; bundling other products with main products; forcing distributors to kick back some amount of payment; withholding supply to a particular distributor who does not obey with the manufacturer’s demands and directions.

Any company which has committed any of the aforementioned acts may be subject to a cease and desist order and a fine depending on the committed act. In addition, in some instances the company and/or its officers may be subject to criminal penalties.

MACAU LAWS AND REGULATIONS

Under the Macau legal framework currently in force, there are no specific laws or regulations that address DTH rockdrilling tools or other types of drilling machineries or equipments.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

GENERAL

Our Company was incorporated in the Cayman Islands on March 17, 2016 and, as part of a reorganization, became the holding company of our Group with its business being conducted through our Group's operating subsidiaries in Hong Kong and the PRC.

The history of our Group can be traced back to 1997 when Top Mark was established by Mr. Kenneth Chan and Mr. Alan Chan with a view to providing technical solutions for rockdrilling projects and supplying piling and drilling equipment, including DTH rockdrilling tools in Hong Kong. In 1998, we started to engage in the business of trading piling and drilling machineries and equipment. In 1999, Mr. Eric Chan joined the Group as our sales and marketing manager. With the increasing market demand for DTH rockdrilling tools and a growing network of customers, we started to develop our manufacturing business in the PRC with Mr. Gary Chan, a business partner of Mr. Kenneth Chan and an independent third party at the time, who contributed capital to the initial and subsequent investments but has otherwise maintained a passive role. In 2007, we established a factory in Shunde District, the PRC, to manufacture DTH rockdrilling tools.

Leveraging on our experience in conducting business in the Hong Kong DTH rockdrilling tool industry, we have commenced sales of DTH rockdrilling tools to our overseas customers since 2013 and officially launched our overseas sales through our distributors in 2014.

Since 2014, we started to consolidate and restructure our operations, with Top Mark focusing on sales to customers in Hong Kong and Macau, Maxa RockDrills being in charge of our overseas sales, Top Glory serving as our platform for the trading of piling and drilling machineries and rockdrilling equipment other than DTH rockdrilling tools, and with our manufacturing functions operated through Tristate International and Norry Tech. During the Track Record Period, we traded certain DTH rockdrilling tools through a sole proprietorship, Grand Power Mechanical Company, as a separate trading platform of Top Mark, the results of which have been included in the Group's financial information, and we have ceased all such operations. Save as disclosed, the Directors confirm that none of the Group's business has been operated under the names of any other entities (whether incorporated or not and/or under any trust arrangement).

IMPORTANT BUSINESS MILESTONES

The following events illustrate certain key milestones and achievements in the business development of our Group:

Year	Event
1997	We established Top Mark and commenced our trading business in DTH rockdrilling tools, including button bits and down-the-hole hammers mainly sourced from the United Kingdom targeted for on-selling to Hong Kong customers
1998	Top Mark commenced our trading business in piling and drilling machineries and equipment in Hong Kong, including drilling rigs mainly sourced from Italy

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- 2004 We started formulating plans to manufacture our self-designed DTH rockdrilling tools to serve our customers in Hong Kong, and sought suitable business partners for cooperation
- 2005 We completed our first sale of DTH rockdrilling tools to Macau and successfully expanded our customer coverage outside Hong Kong
- 2007 We established Norry Tech in the PRC with Mr. Gary Chan and set up our factory at Shunde District, the PRC, with a gross floor area of approximately 2,800 sq.m. to implement our plan to manufacture our self-designed DTH rockdrilling tools, including casing systems and button bits
- 2008 We successfully manufactured our first self-designed button bit at our Shunde factory
- 2009 We successfully manufactured our first self-designed casing system at our Shunde factory
- 2010 We strengthened our production capabilities to develop and launch our self-designed down-the-hole hammer and manufactured our first conventional down-the-hole hammer
- 2011 We expanded our product range to include our self-designed and manufactured bit opener
- We started to file patent applications in different jurisdictions
- 2012 We continued to enhance our research and development capabilities in developing new DTH rockdrilling tools and technology
- 2013 Norry Tech successfully developed and launched our first horizontal down-the-hole hammer and corresponding casing system
- We expanded our overseas customer base to Malaysia, Canada and Finland
- 2014 We were involved in providing technical solutions and DTH rockdrilling tools including our self-designed and manufactured horizontal down-the-hole hammer and casing system to a project carried out by a Hong Kong governmental authority for installing a new submarine pipeline for water supply in Cheung Chau, Hong Kong
- We engaged our exclusive Scandinavian distributor to sell our self-manufactured DTH rockdrilling tools to Scandinavia
- Our trial production of all directions down-the-hole hammer, targeted for overseas contractors, was successful

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

2015 We expanded our production facilities by relocating to a new factory including office premises in Shunde District, the PRC with a gross floor area of approximately 9,300 sq.m.

We commenced sales of our self-manufactured DTH rockdrilling tools to Japan through our Japan distributor

We were appointed as the exclusive distributor in Hong Kong, Macau and India by our PRC Machineries Supplier, a manufacturing arm of a PRC stated-owned listed group to sell all its foundation work related machinery and equipment products

2016 We engaged a local exclusive distributor to sell our self-manufactured DTH rockdrilling tools in India

We owned in total 16 patents for our self-developed method and apparatus for manufacturing of our cluster drill, one of our DTH rockdrilling tools, in various jurisdictions

CORPORATE HISTORY

Our Company has a number of subsidiaries incorporated in the BVI, Hong Kong and the PRC. Details of the major subsidiaries of our Group and their respective corporate history are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on March 17, 2016 with an authorized share capital of HK\$380,000 divided into 3,800,000 ordinary Shares of par value HK\$0.1 each. On May 30, 2016, our Shareholders resolved to increase the authorized share capital of our Company from HK\$380,000 to HK\$50,000,000 divided into 500,000,000 Shares. Our Company is an investment holding company.

OUR SUBSIDIARIES

Top Mark

Top Mark is primarily engaged in providing its customers with technical solutions for their rockdrilling projects and the supply of DTH rockdrilling tools. It was incorporated in Hong Kong with limited liability on July 28, 1997 with a share capital of HK\$1,000,000 comprising 1,000,000 shares. On incorporation, 950,000 shares and 50,000 shares were allotted and issued to Mr. Kenneth Chan and Mr. Alan Chan respectively. On March 6, 2007, Mr. Kenneth Chan transferred 150,000 shares to Mr. Alan Chan for a consideration of HK\$150,000, such that Mr. Kenneth Chan and Mr. Alan Chan held 800,000 shares and 200,000 shares, respectively, in Top Mark. On March 31, 2016, as part of a reorganization, Mr. Kenneth Chan and Mr. Alan Chan transferred all of their shareholdings in Top Mark to Hang Wing for nominal considerations of HK\$1.0 and HK\$1.0, respectively. For further details of the share transfers, please refer to the paragraph headed “Reorganization — Transfer of shares in Top Mark, Top Glory, Maxa RockDrills and Tristate International” below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Maxa RockDrills

Maxa RockDrills is primarily engaged in the supply of DTH rockdrilling tools. It was incorporated in Hong Kong with limited liability on September 15, 2000 and currently has a share capital of HK\$100 comprising 100 shares. On June 4, 2001, Mr. Kenneth Chan, Mr. Alan Chan and Mr. Eric Chan owned 80 shares, 10 shares and 10 shares of Maxa RockDrills, respectively. On December 22, 2014, Mr. Eric Chan transferred his entire shareholding in Maxa RockDrills to Mr. Alan Chan for a consideration of HK\$10, such that Mr. Kenneth Chan and Mr. Alan Chan held 80 shares and 20 shares, respectively. On March 31, 2016, as part of a reorganization, Mr. Kenneth Chan and Mr. Alan Chan transferred all of their shareholdings in Maxa RockDrills to Hang Wing for nominal considerations of HK\$1.0 and HK\$1.0, respectively. For further details of the share transfers, please refer to the paragraph headed “Reorganization — Transfer of shares in Top Mark, Top Glory, Maxa RockDrills and Tristate International” below.

Tristate International

Tristate International is primarily engaged in the administration and coordination of our manufacturing process, including managing orders from Top Mark and Maxa RockDrills, coordinating the production schedules at our Shunde factory, ordering raw materials including alloy steel and tungsten carbide and directing Norry Tech to execute relevant sales and purchase agreements, monitoring the inventory level of Norry Tech, managing the export schedule of the products from our Shunde factory in the PRC to Hong Kong and attending to all related administrative and compliance issues.

Tristate International was incorporated in Hong Kong with limited liability on July 28, 2008 and currently has a share capital of HK\$10,000 comprising 10,000 shares. On September 1, 2008, 5,000 shares and 5,000 shares were allotted and issued to Ms. Siu Ling Linda Vane, wife of Mr. Gary Chan, a shareholder of Norry Tech, and Ms. Kar Yee Law, mother of Mr. Kenneth Chan and Mr. Alan Chan, respectively. Ms. Kar Yee Law held such 50% interest in Tristate International from the time of establishment on trust for Mr. Kenneth Chan and Mr. Alan Chan (the “**50% Tristate International Interest**”), as confirmed by Ms. Kar Yee Law in a deed of confirmation dated April 6, 2016. As confirmed by Ms. Siu Ling Linda Vane and Mr. Gary Chan, respectively, in statutory declarations dated March 23, 2016, (i) Ms. Siu Ling Linda Vane held her 50% interest in Tristate International from the time of establishment on trust for Mr. Gary Chan, (ii) Ms. Siu Ling Linda Vane had not participated in the day-to-day management or operation of Tristate International, (iii) all decision making in relation to the business and/or operation of Tristate International was made by Mr. Kenneth Chan and/or Mr. Alan Chan, and (iv) Ms. Siu Ling Linda Vane had voted in her capacity as a director and/or a shareholder of Tristate International in the same way as Ms. Kar Yee Law, the trustee of Mr. Kenneth Chan and Mr. Alan Chan. Further, pursuant to a shareholders’ agreement dated July 28, 2008, Mr. Gary Chan entrusted Mr. Kenneth Chan to exercise all management rights in relation to Tristate International. Taking into consideration that (i) Tristate International and the other members of the Group have been under the common control of Mr. Kenneth Chan and Mr. Alan Chan throughout the Track Record Period, the Group resulting from the reorganization is regarded as a continuing entity, and (ii) we have been able to exercise control over Tristate International and have had the practical ability to direct its relevant activities unilaterally, through our control of the board of Tristate International pursuant to the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

terms of the shareholders' agreement dated July 28, 2008 and as confirmed by the statutory declaration dated March 23, 2016, we have consolidated the results of Tristate International as our subsidiary during the Track Record Period.

Mr. Gary Chan has been a passive financial investor and his contributions at the time of establishment of the manufacturing business, incorporation of Tristate International and thereafter have been limited to the injection of capital and/or provision of funding. Further, under the shareholders' agreement dated July 28, 2008, Mr. Gary Chan entrusted Mr. Kenneth Chan to exercise all management rights in relation to Tristate International, and has not been granted any rights under which he could unduly impact the operations of Tristate International.

On March 31, 2016, as part of a reorganization, the 50% Tristate International Interest was transferred to Hang Wing for nominal consideration of HK\$2.0. Further, on May 31, 2016, Ms. Siu Ling Linda Vane transferred 1% interest in Tristate International held by Ms. Siu Ling Linda Vane on trust for Mr. Gary Chan since the time of establishment (the "**1% Tristate International Interest**") to Hang Wing for a consideration of HK\$191,760. As of the Latest Practicable Date, we held a 51% interest in Tristate International and Ms. Siu Ling Linda Vane held a 49% interest in Tristate International on trust for Mr. Gary Chan. For further details, please refer to the paragraphs headed "Reorganization — Transfer of shares in Top Mark, Top Glory, Maxa RockDrills and Tristate International" and "Post Reorganization Acquisitions — Acquisition of shares in Tristate International" below.

Norry Tech

Norry Tech, which operates our Shunde factory, oversees the implementation of the manufacturing processes and the manufacture of our DTH rockdrilling tools.

Norry Tech was established as a wholly foreign-owned enterprise in the PRC on October 16, 2007 and currently has a registered capital of HK\$23,000,000. At the time of establishment, Ms. Ning Liang, our Executive Director and wife of Mr. Kenneth Chan, and Mr. Gary Chan held 50% and 50% of the equity interest in Norry Tech, respectively. Ms. Ning Liang was entrusted by Mr. Kenneth Chan and Mr. Alan Chan to hold the 50% interest in Norry Tech on their behalf from the time of establishment, as confirmed by Ms. Ning Liang in a shareholding entrustment agreement dated April 4, 2016. Further, in a shareholders agreement dated October 16, 2007, and as further confirmed in a management entrustment agreement dated April 4, 2016, Mr. Gary Chan entrusted Mr. Kenneth Chan and Mr. Alan Chan to exercise all rights in relation to the management and operation of Norry Tech on their behalf from the time of establishment. Taking into consideration that (i) Norry Tech and the other members of the Group have been under the common control of Mr. Kenneth Chan and Mr. Alan Chan throughout the Track Record Period, the Group resulting from the reorganization is regarded as a continuing entity, and (ii) we have been able to exercise control over Norry Tech and have had the practical ability to direct its relevant activities unilaterally, as the sole executive director of Norry Tech has been appointed by us, we have consolidated the results of Norry Tech as our subsidiary during the Track Record Period. Mr. Gary Chan has been a passive financial investor and his contributions at the time of establishment of the manufacturing business, establishment of Norry Tech and thereafter have been limited to the injection of capital and/or provision of funding. Further, under the shareholders' agreement dated October 16, 2007 and the management entrustment agreement dated April 4, 2016, Mr. Gary Chan entrusted Mr. Kenneth

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Chan and Mr. Alan Chan to exercise all rights in relation to the management and operation of Norry Tech on his behalf from the time of establishment, and has not been granted any rights under which he could unduly impact the operations of Norry Tech.

During the initial stages of establishing our manufacturing business with Mr. Gary Chan, the understanding between Mr. Kenneth Chan, Mr. Alan Chan and Mr. Gary Chan was that the legal shareholders of Tristate International and Norry Tech should be held by persons on trust for Mr. Kenneth Chan and Mr. Alan Chan, and Mr. Gary Chan. Ms. Ning Liang, Mr. Kenneth Chan's wife, was chosen to be the registered shareholder of Norry Tech as it was believed that her status as a PRC national, and her upbringing in the PRC and familiarity with the culture of the Mainland Chinese would assist in the management and operation of a PRC based business. As a risk management measure within the family to spread out the shareholding of the various entities amongst trusted family members, as at that time the holders of the legal title to Top Mark were Mr. Kenneth Chan and Mr. Alan Chan, the holders of the legal title to Maxa RockDrills were Mr. Kenneth Chan, Mr. Alan Chan and Mr. Eric Chan, while the holder of the legal title to Norry Tech was Ms. Ning Liang, Mr. Kenneth Chan and Mr. Alan Chan's mother was nominated to be the registered shareholder of Tristate International. We believe that Mr. Gary Chan has also adopted a risk management measure to spread out the shareholding of various entities between his family members such that he was the registered shareholder of Norry Tech while his wife would be the holder of the legal title to Tristate International. As the Company and all of its subsidiaries (whether wholly-owned or not) have been private companies since incorporation, the Group had not taken any steps to formally align its group structure prior to commencement of preparation for the Listing.

Pursuant to a share transfer agreement dated May 30, 2016 and as part of a reorganization, Ms. Ning Liang transferred her 50% interest in Norry Tech to Tristate Hong Kong for a consideration of RMB11,961,842. Pursuant to a share transfer agreement dated May 30, 2016, Mr. Gary Chan transferred a 1% interest in Norry Tech to Tristate Hong Kong for a consideration of RMB239,237. For further details, please refer to the paragraphs headed "Reorganization — Norry Tech became a subsidiary of Tristate Hong Kong and an indirect subsidiary of Hang Wing" and "Post Reorganization Acquisitions — Acquisition of interest in Norry Tech" below. As of the Latest Practicable Date, we held a 51% interest in Norry Tech and Mr. Gary Chan held a 49% interest in Norry Tech.

Top Glory

Top Glory is primarily engaged in the trading of piling and drilling machineries and rockdrilling equipment. It was incorporated in Hong Kong with limited liability on March 20, 2015 with a share capital of HK\$10,000 comprising 10,000 shares. On incorporation, 8,000 shares and 2,000 shares were allotted and issued to Mr. Kenneth Chan and Mr. Alan Chan, respectively. On March 31, 2016, as part of a reorganization, Mr. Kenneth Chan and Mr. Alan Chan transferred all of their interest in Top Glory to Hang Wing, for nominal considerations of HK\$1.0 and HK\$1.0, respectively. For further details of the share transfers, please refer to the paragraphs headed "Reorganization — Transfer of shares in Top Mark, Top Glory, Maxa RockDrills and Tristate International" below.

Hang Wing

Hang Wing was incorporated as a BVI business company in the BVI with limited liability on March 16, 2016 and authorized to issue up to a maximum of 50,000 ordinary shares of a single class with par value HK\$0.1 each. Hang Wing is an investment holding company. On incorporation, eight

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shares and two shares were allotted and issued to Mr. Kenneth Chan and Mr. Alan Chan, respectively. On May 30, 2016, as part of a reorganization, Mr. Kenneth Chan and Mr. Alan Chan transferred their entire shareholdings in Hang Wing to our Company in consideration of our Company allotting and issuing 299,999,990 Shares to Hang Yip. For further details, please refer to the paragraphs headed “Reorganization — Share Swap between Mr. Kenneth Chan and Mr. Alan Chan and the Company” below.

Tristate Hong Kong

Tristate Hong Kong was incorporated in Hong Kong with limited liability on April 13, 2016 with a share capital of HK\$1.0 comprising one share. Tristate Hong Kong is an investment holding company. On incorporation, one share was allotted and issued credited as fully paid to Hang Wing, an investment holding company and a wholly-owned subsidiary of our Company.

REORGANIZATION

Prior to reorganization, our subsidiaries were held directly by Mr. Kenneth Chan and Mr. Alan Chan, our Controlling Shareholders, or by their family members on trust for them. In preparation for the Listing, our Group underwent a reorganization through the following major steps to formalize the corporate structure of our Group, and as of the Latest Practicable Date, the Company was wholly-owned by Hang Yip, and in turn held as to 80% by Mr. Kenneth Chan and 20% by Mr. Alan Chan, and thus each of Mr. Kenneth Chan, Mr. Alan Chan and Hang Yip have been our Controlling Shareholders.

1. Incorporation of Hang Yip, Hang Wing and our Company

On March 16, 2016, Hang Yip was incorporated as a BVI business company in the BVI and was authorized to issue up to a maximum of 50,000 shares of a single class with par value of HK\$0.1 each. Eight and two shares of Hang Yip, representing 80% and 20% of the issued share capital of Hang Yip, respectively, were allotted and issued to Mr. Kenneth Chan and Mr. Alan Chan on March 16, 2016.

On March 16, 2016, Hang Wing was incorporated as a BVI business company in the BVI and was authorized to issue up to a maximum of 50,000 shares of a single class with par value HK\$0.1 each. Eight and two shares of Hang Wing, representing 80% and 20% of the issued share capital of Hang Wing, respectively, were allotted and issued to Mr. Kenneth Chan and Mr. Alan Chan on March 16, 2016.

On March 17, 2016, our Company was incorporated in the Cayman Islands with an authorized share capital of HK\$380,000 divided into 3,800,000 Shares. One initial subscriber Share was transferred to Hang Yip on March 17, 2016 and nine Shares were allotted and issued fully paid at par value to Hang Yip on March 17, 2016.

2. Transfer of shares in Top Mark, Top Glory, Maxa RockDrills and Tristate International

On March 31, 2016, Mr. Kenneth Chan and Mr. Alan Chan transferred all of their shareholdings in each of Top Mark, Top Glory, Maxa RockDrills and Tristate International, respectively for nominal considerations of HK\$2.0 for each transfer, respectively to Hang Wing.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

After completion of the share transfers, Top Mark, Top Glory and Maxa RockDrills became wholly-owned subsidiaries, and Tristate International became a non-wholly owned subsidiary, of Hang Wing.

3. Incorporation of Tristate Hong Kong

On April 13, 2016, Tristate Hong Kong was incorporated in Hong Kong. On the same date, one fully paid ordinary share of Tristate Hong Kong, representing the entire issued share capital of Tristate Hong Kong, was allotted and issued to Hang Wing, and Tristate Hong Kong became the subsidiary of Hang Wing.

4. Norry Tech became a subsidiary of Tristate Hong Kong and an indirect subsidiary of Hang Wing

Pursuant to a share transfer agreement dated May 30, 2016 entered into between Ms. Ning Liang and Tristate Hong Kong, Ms. Ning Liang transferred 50% equity interest in Norry Tech for RMB11,961,842 to Tristate Hong Kong. After completion of the above-mentioned transfer, Norry Tech became a subsidiary of Tristate Hong Kong and an indirect subsidiary of Hang Wing.

As advised by our PRC Legal Advisers, AnJie Law Firm, the transfer of the 50% equity interest in Norry Tech is effective and legally binding and in compliance with the PRC laws and regulations.

5. Share swap between Mr. Kenneth Chan and Mr. Alan Chan and the Company

On May 30, 2016, the authorized share capital of our Company was increased to HK\$50,000,000, divided into 500,000,000 Shares with a par value of HK\$0.1 each. On the same date, 299,999,990 Shares were allotted and issued to Hang Yip in consideration of Mr. Kenneth Chan and Mr. Alan Chan transferring their entire shareholdings in Hang Wing to our Company.

After completion of the above share issue and share transfers, our Company became the wholly-owned subsidiary of Hang Yip and holds 100% of the equity interest in Hang Wing.

As of the Latest Practicable Date, the reorganization had been completed in compliance with relevant laws and regulations.

POST REORGANIZATION ACQUISITIONS

In order to increase our stakes in our key subsidiaries, Tristate International and Norry Tech, and to exercise greater control over these two subsidiaries, we have undertaken the following acquisitions (the “**Post Reorganization Acquisitions**”).

1. Acquisition of interest in Norry Tech

Pursuant to a share transfer agreement dated May 30, 2016 entered into between Mr. Gary Chan and Tristate Hong Kong, Tristate Hong Kong acquired 1% equity interest in Norry Tech for RMB239,237. The consideration was determined based on the net asset value of Norry Tech according to its management accounts. The cash consideration was fully settled and as advised by our PRC Legal Advisers, AnJie Law Firm, the acquisition was completed, on June 28, 2016. After the acquisition, Norry Tech was held as to 51% by Tristate Hong Kong.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

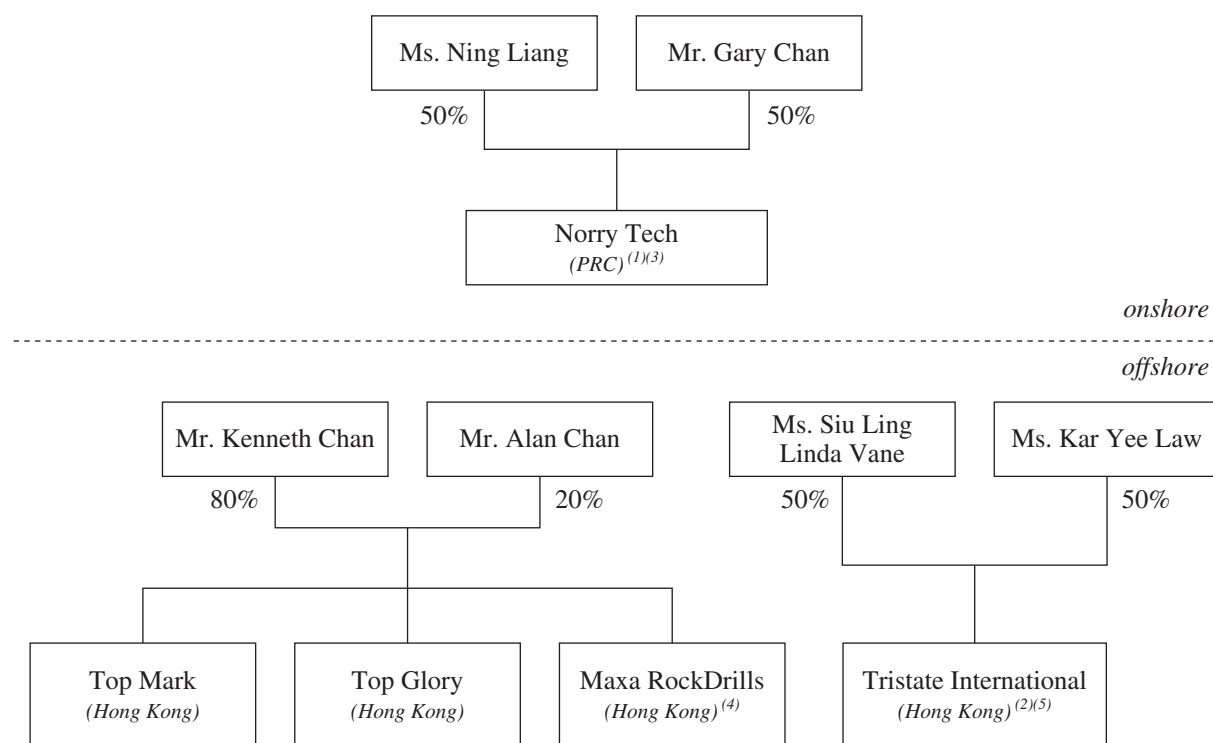
2. Acquisition of shares in Tristate International

Pursuant to a share sale and purchase agreement dated May 31, 2016 entered into between Ms. Siu Ling Linda Vane, Mr. Gary Chan and Hang Wing, Hang Wing acquired the 1% Tristate International Interest for a consideration of HK\$191,760. The consideration for the 1% Tristate International Interest was determined based on the net asset value of the entire issued share capital of Tristate International according to its management accounts. The cash consideration was fully settled and the acquisition was completed on June 20, 2016. After the acquisition, Tristate International was held as to 51% by Hang Wing.

As advised by our PRC Legal Advisers, AnJie Law Firm, the transfer of the 1% equity interest in Norry Tech is effective and legally binding and in compliance with the PRC laws and regulations.

THE CORPORATE STRUCTURE OF OUR GROUP

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



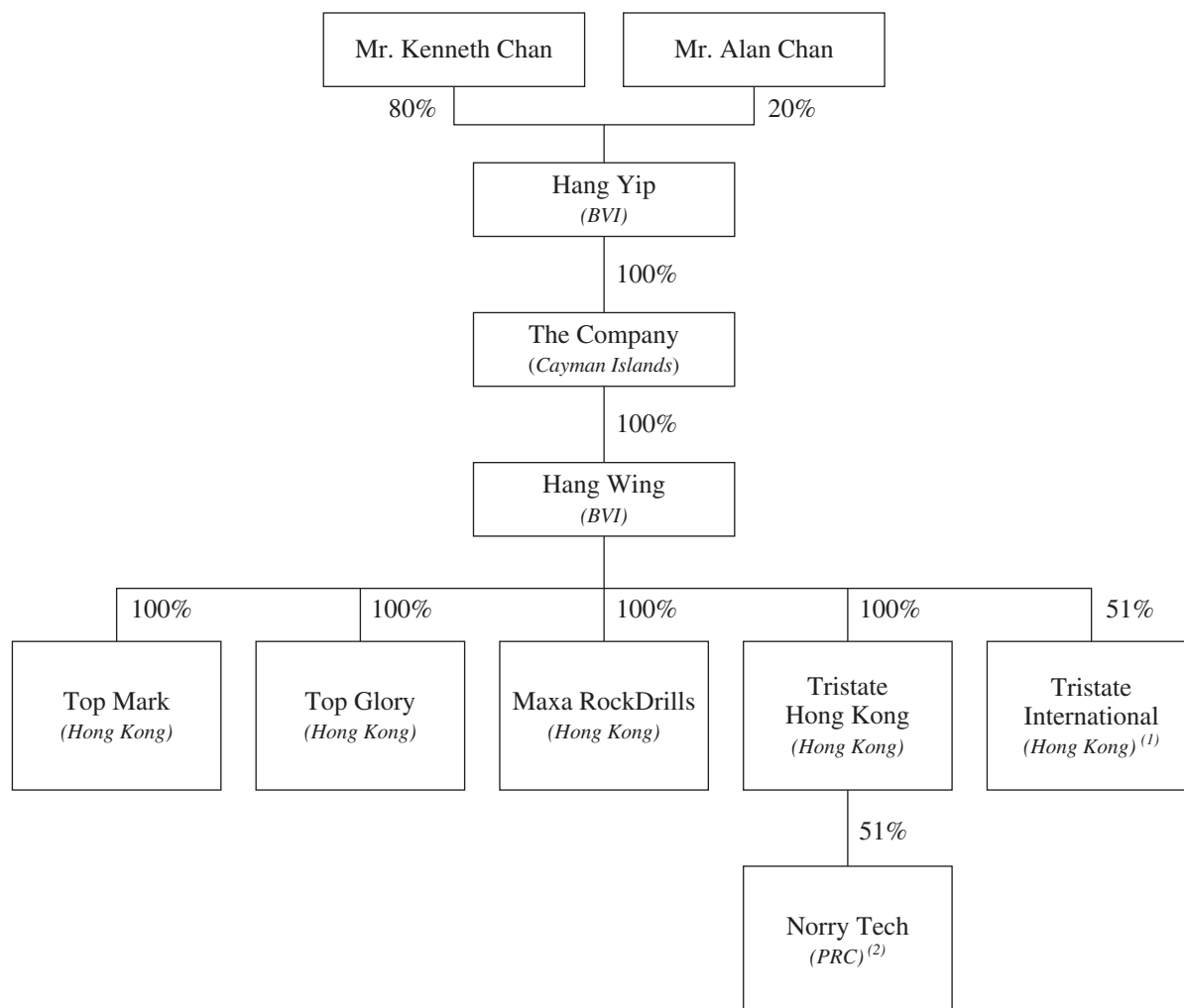
Notes:

- (1) Ms. Ning Liang held her 50% interest in Norry Tech from the time of establishment on trust for Mr. Kenneth Chan and Mr. Alan Chan.
- (2) Ms. Kar Yee Law held her 50% interest in Tristate International from the time of incorporation on trust for Mr. Kenneth Chan and Mr. Alan Chan.
- (3) Mr. Gary Chan has entrusted Mr. Kenneth Chan and Mr. Alan Chan to exercise all rights in relation to the management and operation of Norry Tech from the time of establishment on his behalf.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (4) Maxa RockDrills was also the 50% shareholder of three Hong Kong companies, two of which were deregistered during the Track Record Period and one of which was deregistered after the Track Record Period. Of the three companies, one company was engaged in business (which was unrelated to that of the Group) which had ceased prior to the Track Record Period, whereas the other two companies had never carried on any business. All three companies were solvent and dormant with no outstanding liabilities at time of deregistration. Furthermore, none of the three companies have been or might be the subject of any material non-compliance incidents, litigation or legal proceedings (whether actual or threatened). The financial information of these three companies have not been consolidated into the financial information of the Group, and the investment cost in these companies for a total amount of HK\$5,100 have also been written off prior to the Track Record Period.
- (5) (i) Ms. Siu Ling Linda Vane held her 50% interest in Tristate International from the time of establishment on trust for Mr. Gary Chan, (ii) Ms. Siu Ling Linda Vane had not participated in the day-to-day management or operation of Tristate International, (iii) all decision making in relation to the business and/or operation of Tristate International was made by Mr. Kenneth Chan and/or Mr. Alan Chan, and (iv) Ms. Siu Ling Linda Vane had voted in her capacity as a director and/or a shareholder of Tristate International in the same way as Ms. Kar Yee Law, the trustee of Mr. Kenneth Chan and Mr. Alan Chan.

The following diagram sets out the corporate structure of our Group immediately after completion of the reorganization and the Post Reorganization Acquisitions but before completion of the Public Offer:



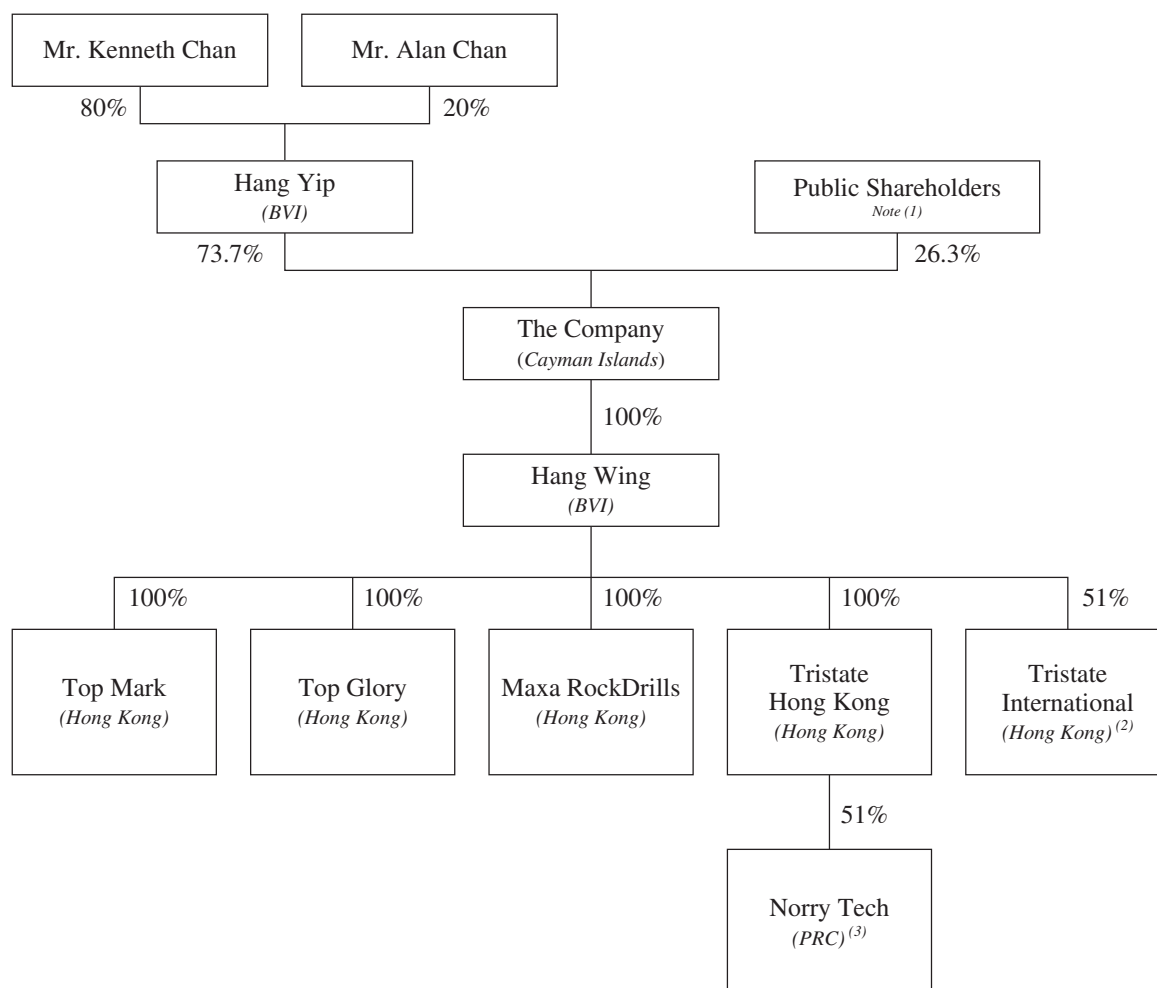
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

(1) The remaining 49% was held by Ms. Siu Ling Linda Vane, wife of Mr. Gary Chan. As of the date of this prospectus, the directors of Tristate International were Mr. Kenneth Chan, Mr. Alan Chan and Ms. Siu Ling Linda Vane.

(2) The remaining 49% was held by Mr. Gary Chan.

The following diagram sets out the corporate structure of our Group immediately after completion of the Public Offer:



Notes:

(1) The amount of shareholdings that will be considered as public float upon Listing.

(2) The remaining 49% is held by Ms. Siu Ling Linda Vane, wife of Mr. Gary Chan.

(3) The remaining 49% is held by Mr. Gary Chan.

OUR BUSINESS

OVERVIEW

We are the leading manufacturer and supplier of DTH rockdrilling tools in Hong Kong, with a market share in Hong Kong by revenue of 59.2% in 2015 according to the Frost & Sullivan Report. In addition, we sell piling and drilling machineries and rockdrilling equipment, which are sourced from external suppliers.

We provide technical rockdrilling solutions to our customers with a variety of rockdrilling needs. We design, manufacture and sell DTH rockdrilling tools for use in building foundation and piling on construction sites, mining and quarrying, water well drilling, utility linings, micro-tunneling and overburden drilling in a variety of geological formations and at considerable depths. A majority of the equipment and machinery which we supply to our customers are our self-designed DTH rockdrilling tools which we manufacture, and the rest are sourced from third parties for our customers depending on their rockdrilling needs.

We manufacture our self-designed DTH rockdrilling tools at our factory located at Shunde District, the PRC. We procure the major raw materials (primarily alloy steel and tungsten carbide) for our self-designed and manufactured DTH rockdrilling tools principally from five suppliers in the PRC. We also source third-party produced piling and drilling machineries and rockdrilling equipment from external suppliers and manufacturers mainly located in Japan, the PRC, Italy, Korea and Australia, which we offer to our customers as part of our technical rockdrilling solutions.

During the Track Record Period, whilst a substantial portion of our revenue has been generated from our direct sales of our products to customers in Hong Kong and Macau, an increasing portion of our revenue has been generated from exports of DTH rockdrilling tools through our overseas distributors. We commenced overseas sales of our products in 2013 and entered into formal exclusive distribution arrangements with three distributors located in Finland, Japan and India in 2014, 2015 and 2016, respectively. There has been growing international demand for DTH rockdrilling tools from new markets in India and Canada. In an effort to meet demand from these markets, we have begun to extend our sales and marketing efforts in those regions and plan to develop partnerships with local distributors. During the Track Record Period, our top five customers were mainly foundation companies and contractors in Hong Kong.

For the three years ended March 31, 2016 and the three months ended June 30, 2016, our revenue amounted to approximately HK\$150.6 million, HK\$126.6 million, HK\$141.7 million and HK\$27.8 million, while our profit attributable to owners of the Company for each of the years ended March 31, 2014, 2015 and 2016 amounted to approximately HK\$18.9 million, HK\$21.1 million and HK\$27.0 million, respectively and our loss attributable to owners of the Company for the three months ended June 30, 2016 amounted to HK\$3.0 million. We recorded a net loss attributable to owners of the Company of HK\$3.0 million for the three months ended June 30, 2016 primarily due to listing expenses incurred of approximately HK\$9.6 million.

OUR BUSINESS

Competitive Strengths

We believe that the following competitive strengths have distinguished us from our competitors, contributed to our success and are critical to our future prospects:

We offer a wide range of quality and tailor made products

Our Directors believe that our ability to provide tailor made designs and solutions as well as a wide range of quality products is the key to retaining long-term customers. Apart from offering our customers with technical proposals, we also control and monitor each step in our production process to ensure adherence to our inhouse quality standards. Along with our facilities and equipment, our Directors believe that our advanced technological know-how, our research and development efforts in developing new products technologies, flexible production processes, experienced labor, and inhouse quality control and test procedures ensure quality assurance and flexibility to produce tailor made DTH rockdrilling tools to meet the diversified requirements of our customers. We believe we possess sufficient knowledge and are familiar with the complex and diverse geological conditions in Hong Kong (which range from hard rocks such as granite to soft rocks such as limestone), which plays a key role in understanding our customers' needs in order to design and provide our customers with tailor made and quality products which suit their specific rockdrilling needs.

We offer one-stop technical solutions and support to our customers

We offer our customers one-stop technical solutions for their rockdrilling projects by providing them with our self-designed and manufactured DTH rockdrilling tools, and depending on their project requirements, by assisting them to source piling and drilling machineries and rockdrilling equipment from suitable suppliers. We also offer aftersales support to our customers. In Hong Kong and Macau, our experienced aftersales team offer our customers onsite training and suggestions on selection of suitable components to supplement our products. In our overseas markets, whilst we rely on our overseas distributors in Finland, Japan and India to provide the end users with aftersales technical support, we also provide related assistance to our overseas distributors where necessary.

We have relatively short production and delivery lead times

We have short lead times for production and delivery, which we believe is crucial for our success in the competitive business environment which we operate in Hong Kong. Our customers in Hong Kong are mainly foundation companies and contractors which normally operate under tight construction schedules and timetables. Our senior management team's strong technical knowledge enables us to respond nimbly to make suggestions on relevant DTH rockdrilling tools required or produce a feasible proposal for our customers. We utilize technologically advanced production equipment and implement regular repair and maintenance programs to ensure production efficiency, thereby reducing production lead times. In addition, we regularly assess the business requirements of our major customers and monitor our inventory of raw materials and completed products and components to maintain a certain level of inventory for future production or to meet future demand. Amongst our competitors in Hong Kong, we have the shortest production lead time and the shortest average shipment time for self-manufactured products, according to the Frost & Sullivan Report. We believe that our ability to maintain short lead times for order handling, production and delivery enables us meet our customers' own tight timetables.

OUR BUSINESS

We are a market leader in the DTH rockdrilling tool industry in Hong Kong with a loyal customer base

In Hong Kong, we maintained our leading market position in the DTH rockdrilling tool industry with a market share by revenue of approximately 59.2% in the year of 2015 according to the Frost & Sullivan Report. During the Track Record Period, we had over 130 customers, including certain foundation companies listed on the Hong Kong Stock Exchange. Our major customers in Hong Kong and Macau are foundation companies and contractors with whom we have established long-term and stable relationships.

Our top five customers during the Track Record Period have been our customers for an average of more than eight years. Due to our long-term relationships with our customers, we believe that we are familiar with our customers' product specification and requirements, which shortens our ordering process and delivery lead time with these customers.

Our strong customer relationships brings stable sources of orders and provides us with opportunities to openly interact and discuss with our customers, understanding their needs and requirements, which we believe would increase our appeal to new customers.

We have an experienced and dedicated management team

Our Directors believe that our past success and future prospects depend on our experienced management team and their expertise. Our management team has extensive technical and managerial experience in the DTH rockdrilling tool industry in Hong Kong. Our Executive Directors, Mr. Kenneth Chan, Mr. Alan Chan and Mr. Eric Chan, with more than 16 years of experience in the industry, have in-depth knowledge of and insight into market development, corporate management and trend analysis of the DTH rockdrilling tool industry in Hong Kong. Mr. Kenneth Chan is responsible for overall strategy planning and management of our Company's business and Mr. Alan Chan is responsible for overall management of business operations and management of the engineering and technical processes of our Group. Mr. Eric Chan is responsible for management of the sales and marketing operations of our Group.

In addition, Dr. Alberto Barbera, our head of research and development and export manager, and a member of our senior management, who was registered as an engineer in Italy in 1975 and has more than 40 years of experience in the engineering and rockdrilling industries, joined us in 2015 to help spearhead our international sales efforts and to lead our research and development team.

Our Directors believe that our team's sound technical knowledge, commercial experience and business acumen have enabled us to build a stable customer base, and develop strong technology and manufacturing expertise in DTH rockdrilling tools. Our Directors believe that we will continue to benefit from the sound business judgment and managerial expertise of our management team going forward.

OUR BUSINESS

Business Strategies

Our business objectives are to deepen our penetration of the Hong Kong DTH rockdrilling tool industry, to extend our international platform through partnering with local distributors to develop new markets and increase sales, to invest in a new manufacturing facility in order to introduce new self-designed and manufactured products and enhance our manufacturing capabilities, as well as to expand our research and development team.

Deepen our penetration of the Hong Kong DTH rockdrilling tool industry

Hong Kong is our home market and forms the foundation for further growing our business and the springboard from which we expand our operations internationally. According to the Frost & Sullivan Report, the DTH rockdrilling tool industry in Hong Kong is expected to grow at a CAGR of 10.1% from 2015 to 2020. We will continue to focus on solidifying our leading market position by deepening our penetration of Hong Kong's growing DTH rockdrilling tool industry, through the selling of a wider range of products to our customers to service their different rockdrilling demands. For example, in the year ended March 31, 2016, we have been able to increase the sales to our largest customer by selling additional DTH rockdrilling tools which they previously sourced from other suppliers. We plan to take advantage of our maturing relationships with our major customers by offering them a wide range of products which are either self-designed and manufactured, or sourced from our external suppliers.

Extend our international platform through partnering with local distributors to develop new markets and increase overseas sales

We plan to take advantage of increasing global demand for DTH rockdrilling tools. According to the Frost & Sullivan Report, the growing trend for the global DTH rockdrilling tool industry size is expected to continue at a CAGR of 16.4% from 2015 to 2020 and reach USD1,037.4 million in 2020. We aim to strengthen and/or extend our presence in several key international markets, including Scandinavia, Japan, India and Canada. To increase our sales in these markets, we intend to expand our distribution networks through partnerships with local distributors who are established in their respective markets with long operating history and, in our opinion, have demonstrated strong marketing, direct sales, logistics management and aftersales technical support capabilities. In addition, we also intend to increase our international sales and marketing efforts by expanding our international sales team and through further participation in international exhibitions and events to promote our products.

Invest in our new manufacturing facility to introduce new self-designed and manufactured products and enhance our manufacturing capabilities

We plan to allocate a portion of the proceeds from the Public Offer towards the investment in our new manufacturing facility. We plan to invest in a new manufacturing facility to house new production lines and machinery and equipment targeted at the following improvements:

Introducing new self-designed and manufactured products

In order to proactively meet our customers' needs, we will allocate a portion of our resources to developing and designing new products which are related to our existing products. We plan to extend the range of our self-designed and manufactured products to cover products which we currently source from our external suppliers, including drill pipes and casing tubes, which we

OUR BUSINESS

believe we can manufacture at a lower cost and better quality. We believe that expanding our product offerings will help to reduce costs, improve our profitability and increase the range of technical solutions we can offer our customers, which will help deepen our penetration with both local and overseas customers, and in turn will enhance our overall financial performance and strengthen our competitive position.

Enhancing our manufacturing capabilities

Currently, we subcontract to a specialist heat treatment firm the heat treatment steps which form part of the manufacturing process for major components of all our DTH rockdrilling tools. We intend to internalize the heat treatment steps in our manufacturing process in order to reduce our production time, lower our production costs, increase our profit margins and allow us to have better control over the quality of our products.

Following the set up of the new manufacturing facility, our existing Shunde factory will focus on the manufacture of our existing DTH rockdrilling tools while our new manufacturing facility will focus on the manufacture of our newly developed products.

Expand our research and development team

Our research and development team is responsible for increasing our production efficiency and effectiveness in order to improve the quality of our existing products and thereby increasing our profit margin. Further, it is responsible for advising on and improving product design for our customers after we receive their orders for our DTH rockdrilling tools, in order to better achieve our customers' objectives, improve the performance of our products and/or reduce production costs. We are also committed to developing new technologies and to providing a broader range of products, which we believe could increase sales and margins and help us expand our market share in key target markets both locally and overseas. Our research and development team also studies and considers the rockdrilling conditions of different countries and customizes our DTH rockdrilling tools to match such conditions. We believe that this is a key element in our efforts to expand our international markets. As of the Latest Practicable Date, our own research and development team has successfully developed two DTH rockdrilling tools manufacturing technologies and registered 16 patents in relation to these two technologies in different jurisdictions. We intend to expand our research and development efforts by recruiting more staff and by investing further in research technologies. Please refer to the paragraphs headed "Our Business — Intellectual Property" below and the paragraphs headed "Statutory and General Information — Intellectual Property Rights of the Group" in Appendix IV to this prospectus for details of our patents.

OUR BUSINESS

OUR PRODUCTS

Our self-designed and manufactured products can be categorized into three main categories:

- down-the-hole hammers;
- casing systems (comprising driver bits and casing bits); and
- other miscellaneous products including button bits and bit openers, as well as our newly developed products, drill pipes, cluster drills and casing tubes.

We also source:

- rockdrilling equipment; and
- piling and drilling machineries,

from our external suppliers for trading to customers as part of our technical rockdrilling solutions.

For further details on the functions and the application of DTH rockdrilling tools and equipment, please refer to the section headed “Glossary and Product Application” in this prospectus.

The following table reflects the percentage of our total revenue contributed by each product type for the periods indicated.

	Year ended March 31,						Three months ended June 30,			
	2014		2015		2016		2015 (unaudited)		2016	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
(a) Self-designed and manufactured DTH rockdrilling tools										
Down-the-hole hammers	10,701	7.1%	11,912	9.4%	14,935	10.5%	2,998	9.8%	3,904	14.1%
Casing systems	85,143	56.6%	73,900	58.4%	87,469	61.8%	20,530	67.2%	15,443	55.6%
Miscellaneous products	9,390	6.2%	8,582	6.8%	9,893	7.0%	2,275	7.4%	2,243	8.0%
Subtotal:	105,234	69.9%	94,394	74.6%	112,297	79.3%	25,803	84.4%	21,590	77.7%
(b) Products sourced from external suppliers										
Piling and drilling machineries	19,787	13.1%	17,617	13.9%	15,372	10.8%	1,557	5.1%	577	2.1%
Rockdrilling equipment	25,550	17.0%	14,609	11.5%	14,075	9.9%	3,198	10.5%	5,611	20.2%
Subtotal:	45,337	30.1%	32,226	25.4%	29,447	20.7%	4,755	15.6%	6,188	22.3%
Total:	<u>150,571</u>	<u>100.0%</u>	<u>126,620</u>	<u>100.0%</u>	<u>141,744</u>	<u>100.0%</u>	<u>30,558</u>	<u>100.0%</u>	<u>27,778</u>	<u>100.0%</u>

OUR BUSINESS

The following table sets out the gross profit by product type for the Track Record Period.

	For the year ended March 31,			For the three months ended June 30,
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Down-the-hole Hammers				
Light	47	128	673	297
Medium	373	1,158	588	166
Heavy	<u>2,326</u>	<u>3,009</u>	<u>3,974</u>	<u>986</u>
Total	<u><u>2,746</u></u>	<u><u>4,295</u></u>	<u><u>5,235</u></u>	<u><u>1,449</u></u>
Casing System, comprising:				
<i>Driver Bits</i>				
Light	4,168	5,049	6,289	1,552
Medium	823	2,841	1,771	54
Heavy	<u>7,528</u>	<u>8,647</u>	<u>12,760</u>	<u>3,185</u>
Total	<u><u>12,519</u></u>	<u><u>16,537</u></u>	<u><u>20,820</u></u>	<u><u>4,791</u></u>
<i>Casing Bits</i>				
Light	4,344	4,817	4,675	1,392
Medium	1,232	2,665	1,625	6
Heavy	<u>11,796</u>	<u>13,209</u>	<u>16,827</u>	<u>1,650</u>
Total	<u><u>17,372</u></u>	<u><u>20,691</u></u>	<u><u>23,127</u></u>	<u><u>3,048</u></u>
Button Bits and Bit Openers				
Light	343	343	428	111
Medium	544	528	503	118
Heavy	<u>977</u>	<u>1,947</u>	<u>2,535</u>	<u>558</u>
Total	<u><u>1,864</u></u>	<u><u>2,818</u></u>	<u><u>3,466</u></u>	<u><u>787</u></u>

In Hong Kong and Macau, we market our products through Top Mark, whilst internationally, we market our products to our overseas distributors through Maxa RockDrills.

OUR BUSINESS

Our Self-Designed and Manufactured Products

Classifications, price range and average selling prices⁽¹⁾ of DTH Rockdrilling Tools by-Size



Range	Down-the-hole Hammers	Casing Systems ⁽²⁾	Button Bits and Bit Openers
Light	≤ 8 inch	≤ 323mm	≤ 240mm
Price range	approximately HK\$27,000 to HK\$33,000	approximately HK\$9,000 to HK\$62,000	approximately HK\$2,000 to HK\$12,000
Medium	10 inch to 14 inch	324mm to 508mm	241mm to 508mm
Price range	approximately HK\$41,000 to HK\$125,000	approximately HK\$46,000 to HK\$96,000	approximately HK\$10,000 to HK\$55,000
Heavy	≥ 18 inch	> 508mm	> 508mm
Price range	approximately HK\$143,000 to HK\$473,000	approximately HK\$86,000 to HK\$550,000	approximately HK\$48,000 to HK\$200,000

OUR BUSINESS

The following table sets out the average selling prices⁽¹⁾ by product type for the Track Record Period:

	For the year ended March 31,			For the three months ended June 30,
	2014	2015	2016	2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Down-the-hole Hammers				
Light	30,224	30,809	29,827	31,529
Medium	64,086	63,041	59,139	66,341
Heavy	188,453	163,613	164,772	149,263
Casing Systems⁽²⁾				
Light	20,485	25,385	26,136	29,002
Medium	46,102	58,131	58,424	64,000
Heavy	104,226	105,647	112,912	94,123
Button Bits and Bit Openers				
Light	6,475	6,054	7,487	7,539
Medium	24,604	26,653	31,336	17,353
Heavy	45,619	51,660	48,704	55,536

Notes:

- (1) The average selling prices set out in the table above have been calculated on the following basis: the average of the revenue generated by the relevant type of DTH rockdrilling tool in the relevant year/period during the Track Record Period divided by the sales volume of the relevant type of DTH rockdrilling tool for the respective corresponding year/period.
- (2) The average selling prices of casing systems set out in the table above have been calculated assuming each casing system comprises one unit of driver bit and one unit of casing bit.
- (3) Each product category as set out in the table above includes a variety of products with different sizes within the product range which sell at different prices and therefore the average selling prices for each year/period may be affected by the actual products sold during the year/period.

OUR BUSINESS

During the Track Record Period, we manufactured and sold the following DTH rockdrilling tools⁽¹⁾:

	2014		Year ended March 31,				Three months ended	
	Sets		2015		2016		June 30,	
	Manufactured	Sold	Manufactured	Sold	Manufactured	Sold	Manufactured	Sold
Down-the-hole Hammers	74	72	118	102	141	143	48	41
Casing Systems, comprising:								
Driver Bits	773	776	600	571	633	679	179	181
Casing Bits	12,672	13,714	11,197	11,229	11,727	12,567	1,618	1,644
Button Bits and Bit Openers	340	367	306	303	311	334	80	78

Note:

- (1) Our sales may include that of finished goods stored as inventory and produced in previous periods.

The following table sets out the estimated life cycle and replacement cycle of our self-designed and manufactured DTH rockdrilling tools by each product type:

	Down-the-hole Hammers	Casing Systems Driver Bits	Casing Bits	Button Bits
Life cycle (in drilling meters)	6,000 ⁽¹⁾	250 ⁽²⁾	50 ⁽³⁾	250 ⁽⁴⁾
Replacement cycle ⁽⁵⁾ (approximate number of days)	218 to 240 ⁽⁶⁾	10 ⁽⁷⁾	2 or Nil ⁽⁸⁾	9 ⁽⁹⁾

Notes:

- (1) The estimated life cycle for our conventional down-the-hole hammer has been calculated based on a number of assumptions, which include: (i) the down-the-hole hammer has been applied for vertical drilling; (ii) the drilling system has been properly set up and the operator of the drilling system has applied suitable parameters for certain variable settings including the driving rotating torque and rotation speed of the down-the-hole hammer; (iii) the operator has applied suitable, proper and sufficient hammer lubrication oil with a correct level of viscosity during the use of the down-the-hole hammer; (iv) compressed air with suitable rate of air-flow and air pressure have been supplied to the down-the-hole hammer; (v) the down-the-hole hammer has been used for not more than eight hours a day; (vi) frequent and proper maintenance have been carried out; (vii) the down-the-hole hammer has been properly stored; and (viii) recommended precautionary safety measures have been applied.
- (2) The estimated life cycle for the driver bit component of our casing system has been calculated based on a number of assumptions, which include: (i) the driver bit is used in the vertical drilling of grade II to III granite, and the driver bit has not been exposed to rock conditions with exceptionally high abrasive characteristics such as a high quartz content (which would result in a faster wearing rate of tungsten carbide buttons), or non-rock materials such as steel or wood; (ii) the drilling system has been properly set up and the operator of the drilling system has applied suitable parameters for certain variable settings including the driving rotating torque and rotation speed of the down-the-hole hammer; (iii) a correct bit load has been imposed on the driver bit; (iv) frequent and proper repair and maintenance have been carried out; (v) the down-the-hole hammer is in good condition; and (vi) level of supply of air matches with the need or requirements of the down-the-hole hammer.
- (3) The casing bit may be left in the borehole after the required depth has been reached for purposes of preventing the collapse of the borehole, and in such cases the casing bit would only be used for the drilling of one borehole. The estimated life cycle for the casing bit component of our casing system has been calculated based on a number of assumptions, which include: (i) the casing bit is used in the vertical drilling of grade II to III granite; and the casing bit has not been exposed to rock conditions with exceptionally high abrasive characteristics such as a high quartz content (which would result in a faster wearing rate of tungsten carbide buttons), or non-rock materials such as steel

OUR BUSINESS

or wood; (ii) the drilling system has been properly set up and the operator of the drilling system has applied suitable parameters for certain variable settings including the driving rotating torque and rotation speed of the down-the-hole hammer; (iii) a correct bit load has been imposed on the driver bit; (iv) the down-the-hole hammer is in good condition; and (v) level of supply of air matches with the need or requirements of the down-the-hole hammer.

- (4) The estimated life cycle of our button bits has been calculated based on a number of assumptions, which include: (i) the button bit is used in the vertical drilling of grade II to III granite, and the button bit has not been exposed to rock conditions with exceptionally high abrasive characteristics such as a high quartz content (which would result in a faster wearing rate of tungsten carbide buttons), or non-rock materials such as steel or wood; (ii) the drilling system has been properly set up and the operator of the drilling system has applied suitable parameters for certain variable settings including the driving rotating torque and rotation speed of the down-the-hole hammer; (iii) a correct bit load has been imposed on the driver bit; (iv) frequent and proper maintenance have been carried out; (v) the down-the-hole hammer is in good condition and (vi) level of supply of air matches with the need or requirements of the down-the-hole hammer.
- (5) The estimated replacement cycle is calculated in number of days based on the experience of the Company's management and feedback from certain customers of the Group, as well as a number of assumptions, including daily operation time and type of granite. The figures are calculated by dividing the expected life cycle in drilling meters of each of our product category by the estimated depth reached in meters assuming the DTH rockdrilling system operates in non-stop mode for six hours per day (the "**Estimated Depth**").
- (6) Assuming the conventional down-the-hole hammer is used in vertical drilling of grade II to III granite, the estimated replacement cycle is calculated by dividing the estimated life cycle of 6,000 meters by (i) the average Estimated Depth of the casing system of 25 meters; and (ii) the average Estimated Depth of the button bit of 27.5 meters, both rounded up to the nearest whole number.
- (7) Assuming the driver bit is used in vertical drilling of grade II to III granite, the estimated replacement cycle is calculated by dividing the estimated life cycle of 250 meters by the average Estimated Depth of the driver bit of 25 meters and rounded up to the nearest whole number.
- (8) Assuming the casing bit is used in vertical drilling of grade II to III granite, the estimated replacement cycle is calculated by dividing the estimated life cycle of 50 meters by the Estimated Depth of the casing bit of 25 meters and rounded up to the nearest one decimal place. There is no replacement cycle for those casing bits which are left in the borehole after the required depth has been reached for purposes of preventing the collapse of the borehole.
- (9) Assuming the button bit is used in vertical drilling of grade II to III granite, the estimated replacement cycle is calculated by dividing the estimated life cycle of 250 meters by the Estimated Depth of the button bit of 27.5 meters and rounded up to the nearest whole number.
- (10) Please note that the figures disclosed in relation to the estimated life cycle and replacement cycle of our self-designed and manufactured products by each product type have been prepared based on theoretical formulae and assumptions, and investors should beware when and if relying on such information. Further, Hong Kong has a variety of complex and geological conditions, which may affect the actual effective life of our products as well as the replacement cycle of our products. Such figures have been included in this prospectus for reference only and may not be applicable in all cases.

OUR BUSINESS

Down-the-hole hammers

We design and manufacture an extensive range of down-the-hole hammers tailor made to meet with the customers' needs. Our down-the-hole hammers can generally be divided into three categories: conventional down-the-hole hammers, horizontal down-the-hole hammers and all directions down-the-hole hammers. Our down-the-hole hammers can be operated over a wide range of air pressures and each hammer has a designated hole drilling size range.

The following is a photo of our self-designed and manufactured down-the-hole hammer:



Conventional down-the-hole hammers

Our conventional down-the-hole hammers are designed for vertical drilling. They are designed to be used in foundation and piling, civil engineering, mining and quarrying, water well and thermal drilling and can drill down a variety of geological formations and at considerable depths.

Our conventional down-the-hole hammers are mainly targeted at foundation companies and piling contractors based in Hong Kong and Macau.

Horizontal down-the-hole hammers

Our horizontal down-the-hole hammers are normally used for horizontal drilling for utility lining (such as the layering of electricity cables, water pipelines, sewage pipelines and town gas pipelines) and micro-tunneling.

Our horizontal down-the-hole hammers are mainly targeted at overseas customers.

All directions down-the-hole hammers

In addition to vertical and horizontal down-the-hole drilling, our newly developed all directions down-the-hole hammers are designed to drill upwards and at all angles. They are intended to be used in mining and vertical drilling.

Our all directions down-the-hole hammers are targeted at overseas customers.

OUR BUSINESS

Casing Systems

Casing systems are designed for use with down-the-hole hammers and perform a variety of different functions, including driving casings horizontally in horizontal drilling or drilling and lowering casing simultaneously in vertical drilling. We currently manufacture our casing systems under different brand names depending on the different functions they perform and the different ground conditions which they are designed to drill into.

The following is a photo of our self-designed and manufactured casing system:



Other miscellaneous products

Other miscellaneous products which we manufacture include button bits and bit openers.

Our button bits, which are multi-point cutting tools that cut rocks and soil and are used to form holes or bores into hard rock surfaces, are made of alloy steel and tungsten carbide. Button bits are subject to high stress from the striking action of pistons, resulting in possible wearing.

Our bit openers, which are a special form of button bit, are used to enlarge pre-existing smaller holes in rock or other materials to a larger, more precise diameter. Apart from hole widening, bit openers may also be applied for the clearing of excess material in a borehole.

OUR BUSINESS

The following is a photo of our self-designed and manufactured button bit:



Newly Developed Products

We have recently developed three new products, namely drill pipes, cluster drills and casing tubes, further details of which are set out below.

Drill Pipe

Drill pipes are a component of the drill string, and designed to transfer rotational forces through the down-the-hole hammer to the drill bit to break rock. During the Track Record Period, we sourced drill pipes from external suppliers which we sold to customers in Hong Kong and Macau as part of our one-stop technical rockdrilling solutions.

The following is a photo of our self-designed and manufactured drill pipe:



Cluster Drill

We have developed a cluster drill which combines multiple down-the-hole hammers and the drill bits to allow for simultaneous drilling over a larger area, or even to drill holes of different shapes. Applications for our cluster drill include where a piling contractor may wish to drill around an existing foundation column, to isolate the column so that it can be separately removed. Our cluster drill utilizes a design which we have patented, which also allows the user to effectively and efficiently drill into grounds of uneven rock formation.

OUR BUSINESS

The following is a photo of our self-designed and manufactured cluster drill:



Casing Tube

Casing tubes are rods of high tensile strength alloy steel, utilized for boring relatively shallow holes in the ground. Casing tubes are a type of top hammer drilling tool, where percussive force is applied above ground level outside the hole, and transmitted through the casing tube to the drill bit. Our casing tubes can be used with a drilling rig produced by our Italy Machineries Supplier.

The following is a photo of our self-designed and manufactured casing tube:



One of our business strategies is to set up new manufacturing facilities to produce our self-designed drill pipes, cluster drills and casing tubes. For further details, please refer to the paragraphs headed “Our Business — Business Strategies” and the section headed “Future Plans and Use of Proceeds” in this prospectus.

OUR BUSINESS

Our Products Sourced from External Suppliers

In addition to the sale of our self-designed and manufactured DTH rockdrilling tools as part of the technical solutions we offer to our customers, we sell rockdrilling equipment, including drill pipes, as well as brand new and second hand piling and drilling machineries, which we do not currently manufacture ourselves and source from our suppliers mainly in Japan, the PRC, Italy, Korea and Australia.

Historically, we have traded both brand new and second hand piling and drilling machineries which we sourced from external suppliers, including the PRC and Japan. With the introduction of the NRMM Regulation in Hong Kong, which came into operation in the second half of 2015, the Development Bureau in Hong Kong has set out an implementation plan on February 8, 2015 which requires non-road mobile machinery, including excavators and crawler cranes, to be sold or leased in Hong Kong or used in specified activities to meet a set of emission standards and approved by the Development Bureau. As a result, we started to import brand new piling and drilling machineries for sales to our customers in Hong Kong including from our PRC Machineries Supplier pursuant to the PRC Distributor Agreement and our Italy Machineries Supplier pursuant to the Italy Agency Agreement, and have sourced such machineries from both our PRC Machineries Supplier and our Italy Machineries Supplier during the Track Record Period, as we anticipate such customers will need to replace their current machines which may not meet the requisite standards with approved machinery. Moreover, following the introduction of the NRMM Regulation in 2015, we have seen demand for second hand machineries decrease, and expect such demand to continue to decrease.

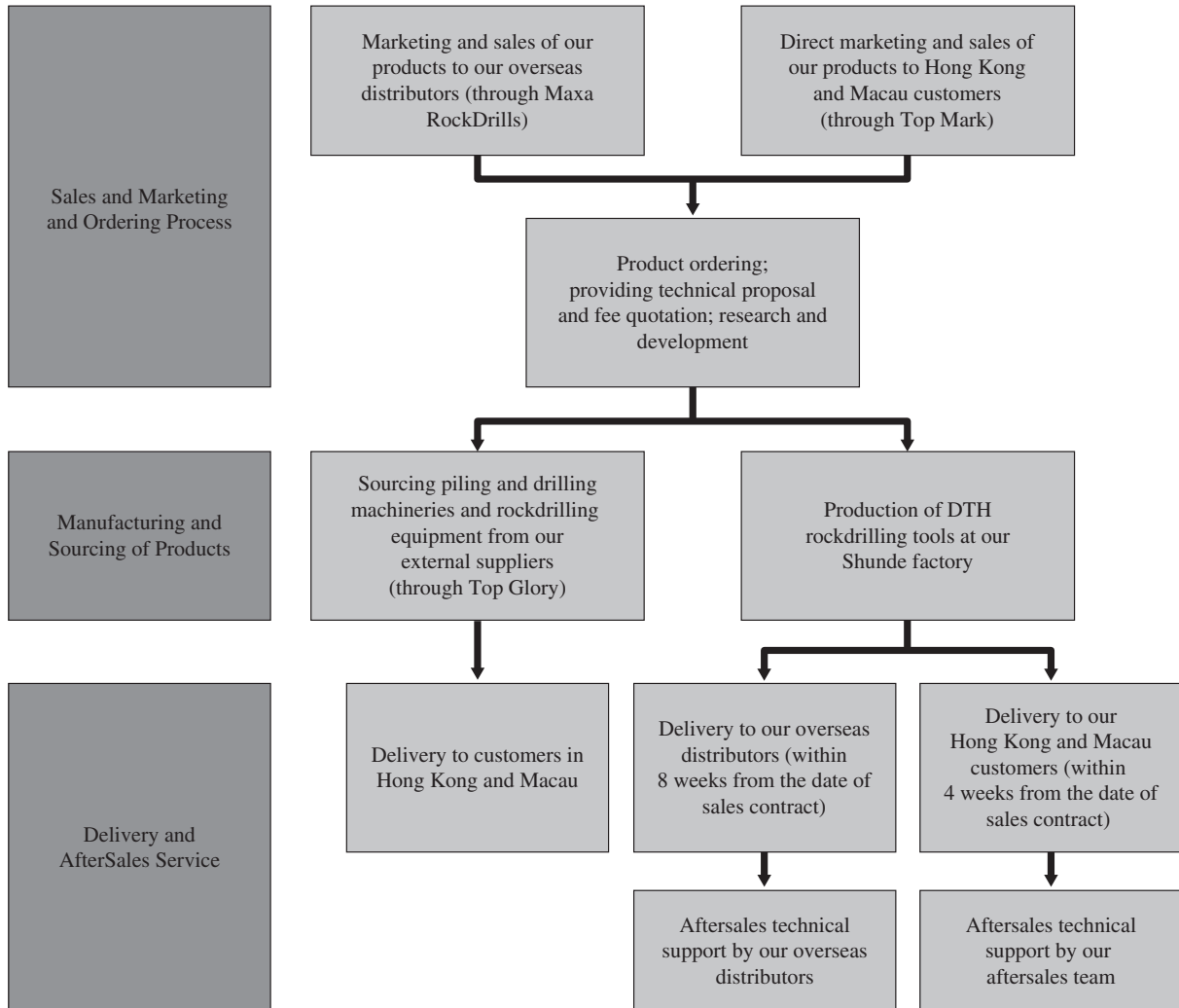
We signed the PRC Distributor Agreement, an exclusive distributor agreement in August 2015 with our PRC Machineries Supplier, the manufacturing arm of a PRC state-owned listed group, pursuant to which we have been appointed as their exclusive distributor in Hong Kong, Macau and India of its foundation work related machinery and equipment products, including multi-functional down-the-hole hammer drilling machines. We co-designed with our PRC Machineries Supplier, through our joint research and development efforts, a specialized drilling machinery which is specially targeted at the Hong Kong market. Further, in January 2016, we entered into the Italy Agency Agreement with our Italy Machineries Supplier, pursuant to which we were appointed as the exclusive distributor in Hong Kong and Macau of all products manufactured by our Italy Machineries Supplier, being various models of drilling machineries. We also import and sell rockdrilling equipment, including drill pipes of different dimensions from our supplier in Korea, and various casing components from our supplier in Australia.

We price our traded piling and drilling machineries and rockdrilling equipment on a cost-plus basis.

OUR BUSINESS

OUR BUSINESS MODEL

The following diagram provides an overview of our current business model:



OUR BUSINESS

Ordering process

Hong Kong and Macau are our primary markets, where our customers are mainly foundation companies and contractors. Typically, our customers will contact us with their specified requirements setting out the type of the DTH rockdrilling tools, number, size and dimensions and request us to provide a fee quote and delivery schedule. Once terms are agreed, we will enter into a sales order and proceed with the manufacturing and delivery of the products.

We also work with customers handling complex rockdrilling projects requiring tailor made rockdrilling tools and equipment and techniques. In such cases, we work together with the customer to determine how to execute such projects. The customer may provide us with their specifications of the DTH rockdrilling tools and equipment to be used, and may also provide us with a site inspection report. We will then provide our technical proposal outlining the tools and equipment required, product types, dimensions and other requirements and a fee quotation based on the information received and discussions with our customers. In general, this process will take a few working days to a few months depending on the complexity of the project. Upon the customer's acceptance of our proposal and fee quote, we will enter into a sales order with our customers specifying, among other things, the products, price, quantity and delivery time.

For our sales to overseas distributors, we conduct similar ordering processes where our points of contact are with our overseas distributors.

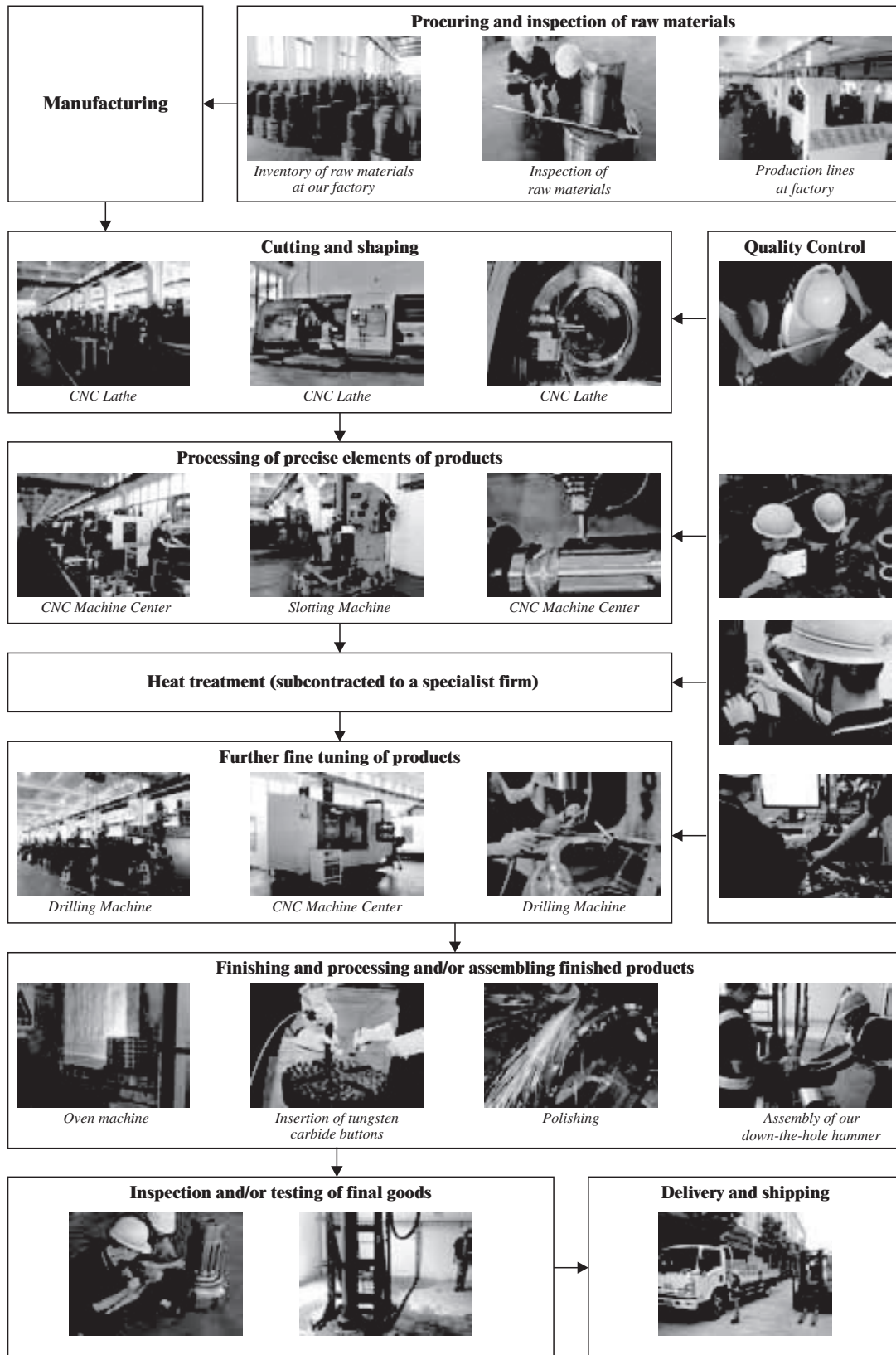
Manufacturing

Production process

Our production process, which is designed to accommodate a range of customer specifications, while meeting our inhouse quality standards. We formulate and develop the production steps required for the different designs of DTH rockdrilling tools. We utilize CNC programmable machines to execute various steps of our manufacturing processes, with selected machine tools, sequence and running profile. The utilization of such programmable machines enables us to automate parts of our manufacturing process. We also make use of different types of machines to carry out other manufacturing processes.

OUR BUSINESS

The following diagram illustrates the major production processes of our principal products.



OUR BUSINESS

Our major production processes include:

Cutting and Shaping

We utilize conventional lathes and CNC lathes to shape our alloy steel, which we obtain from our suppliers in cylindrical blocks, into the desired shapes, and also to include bores within the alloy steel blocks as appropriate, which will be further refined in the next steps of our manufacturing process.

Processing of precise elements of products

We utilize our CNC machining centre, milling machines, slotting machines and drilling machines to cut our alloy steel blocks to incorporate finer details including precise holes and joints into our products.

Smoothing, finishing and heat treatment

We then send our products to our grinding machines and sand blasting machines to refine the finishing of our products. Our sand blasting machine helps remove sharp edges from our products and our grinding machine helps to polish the surfaces of certain components, such as the piston within our down-the-hole hammers, and to minimize friction in the operation of our products, thereby increasing their durability.

Our products may also undergo various stages of heat treatment, which are designed to improve the hardness of the final product. Our heat treatment processes are currently undertaken by subcontractors.

To insert tungsten carbide buttons into our casing systems, button bits or bit openers, we drill holes into the alloy steel body, and then measure the diameters of each hole drilled and pair it with a suitably sized tungsten carbide button. The alloy steel bodies are then sent to our oven machine for heating: during the heating process, the drilled holes will expand in size, and the tungsten carbide buttons will then be inserted into the enlarged holes. The holes will contract upon cooling to hold the tungsten carbide buttons firmly in place.

Assembly of finished products

Finally, we put together the various components to assemble the final product.

Quality Control

We have adopted a comprehensive quality control system. We administer measures that ensure final product quality, by conducting a wide range of quality control tests at different stages of our production process. As a result of our stringent inhouse quality control procedures, we did not receive any material complaints or claims in relation to our products that would materially and adversely affect our financial position during the Track Record Period.

OUR BUSINESS

Our quality control system is divided into the following stages:

Raw materials quality control: All incoming raw materials used in our production processes are subject to inspection upon receipt at our Shunde factory, before being warehoused. We conduct sample inspections and tests on our raw materials when they are delivered to our manufacturing facilities, to ensure that they are in accordance with our standards. We document all quality control checks on all raw materials and conduct regular reviews on our suppliers. Raw materials that fail to meet our standards are returned to our suppliers for corrective measures or for replacement at the supplier's own cost.

Production quality control: Our quality control personnel monitor our production processes to ensure consistency in the quality of our products. Work-in-progress products are checked by the designated quality control personnel before being passed on to the next stages of production. The quality control personnel at the next stage of production re-examines the work-in-progress products received, to ensure there are no defects before the products are further processed. For example, the diameters of the tungsten carbide buttons which form part of our casing systems, button bits and bit openers are measured to differences of 0.0001 mm, and then sorted into various groups for insertion to ensure maximum fitting.

Product quality assurance: At the end of the production process, we physically inspect our products on a sampling basis to verify that their mechanical and dimensional properties and strength meet quality standards and specifications before delivery to our customers. In addition, we conduct a full test run of all of our down-the-hole hammers before delivery to our customers.

Distributor and customer feedback: We relay feedback from distributors and customers on product quality issues to our quality control staff, who implement corrective measures in our quality control procedures when necessary.

Manufacturing Facilities

We chose to locate both our former and current manufacturing facilities in the Shunde District, Guangdong Province, taking into consideration its proximity to Hong Kong and its transportation infrastructure. We initially set up our manufacturing facilities in 2007 at Wusha Shakeng Industrial Area, Shunde District, Foshan City, in Guangdong Province, the PRC, with an aggregate gross floor area of approximately 2,800 sq.m. To expand our production capacity, in December 2015, we relocated our manufacturing facilities from our old site to our current site in the industrial estate in the same district, with an aggregate gross floor area of approximately 9,300 sq.m. including our office premises. All of the manufacturing processes of our DTH rockdrilling tools, except for the heat treatment steps which we subcontract to specialist heat treatment firms, take place at this production site, where we have a range of machinery and equipment.

The landlord of our Shunde factory has obtained all land use right certificates over the property used by our manufacturing facilities, including a Certificate of Property and Land (《房地產權證》), which integrates Property Ownership and Land Use Right.

OUR BUSINESS

Production Machinery and Equipment

As of the Latest Practicable Date, we own all machinery and equipment which are material to our production process at our production site. The following table sets out information on the number, average age and the expected useful life of our major types of machinery and equipment as of the Latest Practicable Date.

Types of machinery and equipment	Number	Expected useful life	Average age (Note)
CNC Lathe	9	6–7 years	5.6 years
CNC Machine Centre	10	6 years	5.4 years
Drilling Machine	8	6 years	6.4 years
Conventional Lathe	2	7 years	8.6 years
Milling Machine	2	7 years	7.8 years
Slotting Machine	2	8 years	6.8 years
Grinding Machine	1	6 years	7.5 years
Sand Blasting Machine	2	6 years	6.8 years
Oven Machine	2	6 years	5.1 years

Note: Calculated by reference to the record date of such machinery recognized in the accounts of Norry Tech.

We purchase machinery and equipment mainly from domestic suppliers in the PRC.

Subcontracting of Heat Treatment Process

We subcontract the heat treatment process in our production process for major components of all our DTH rockdrilling tools to a specialist firm based in Shenzhen, who is an independent third party with whom we have worked with for over eight years. We do not enter into long-term contracts with this heat treatment firm and we normally place orders based on our production schedules. This process usually takes approximately three to five days. We are charged on the basis of the weight of materials to be processed.

We select heat treatment firms to whom we subcontract by taking into account a number of factors, including their qualifications, experience, technical processes, production capacity, services quality, machinery and equipment, proximity to our Shunde factory, terms offered by them and their ability to assure timely delivery, in order to ensure they have the operating capabilities and resources to meet our internal standards and technical specifications. In the event that our subcontractor in Shenzhen is unable to fully service our needs, we can also subcontract the heat treatment process to a supplier of alloy steel who has the requisite machinery and equipment. Historically, we have chosen to subcontract the heat treatment step to specialist firms as we did not have the requisite expertise and equipment to undertake this procedure on our own. We intend to allocate a portion of the proceeds raised from the Public Offer towards investment in heat treatment equipment such that in future, we will be able to complete this step at our premises, which will help reduce our production time, lower our production costs, increase our profit margins and allow us to have better control over the quality of our products. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

OUR BUSINESS

Repair and Maintenance

We place an emphasis of the maintenance of our machinery and equipment and carry out repair and maintenance work on a regular basis. In addition, we carry out our major machinery and equipment inspection around December every year. During the Track Record Period, we did not experience any material production interruption. As a result of our emphasis on maintenance, we expect the operational life of our major machinery to be relatively long and we only replace aged machinery when necessary. In particular, we expect certain machinery and equipment, which we do not operate at full capacity, such as our conventional lathe, sand blasting machine and grinding machine, to have operational lives longer than the expected useful life as estimated by the relevant manufacturers. For details of our depreciation policies, please refer to the paragraphs headed “Financial Information — Critical Accounting Policies, Estimates and Judgments — Property, Plant and Equipment” in this prospectus.

Production Capacity and Utilization Rates

The following table sets forth the breakdown of the estimated production capacity, actual production level and utilization rate of our machines for our self-designed and manufactured products at our production site as of the Latest Practicable Date and for the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively.

Type of machines ⁽¹⁾	Year ended March 31,			Three months ended
	2014 ⁽⁶⁾	2015	2016	June 30, 2016
CNC Lathe				
Designed production capacity ⁽²⁾ (no. of hours)	42,042.00	54,054.00	54,054.00	13,513.50
Output ⁽³⁾ (no. of hours)	45,521.69	45,677.38	50,553.65	11,777.62
Utilization rate ⁽⁴⁾ (%)	108.28	84.50	93.52	87.15
CNC Machine Center				
Designed production capacity ⁽²⁾ (no. of hours)	48,048.00	60,060.00	60,060.00	15,015.00
Output ⁽³⁾ (no. of hours)	57,562.78	52,749.30	57,090.36	11,181.57
Utilization rate ⁽⁴⁾ (%)	119.80	87.83	95.06	74.47
Drilling Machine				
Designed production capacity ⁽²⁾ (no. of hours)	48,048.00	48,048.00	48,048.00	12,012.00
Output ⁽³⁾ (no. of hours)	44,746.53	40,838.14	43,836.01	7,309.17
Utilization rate ⁽⁴⁾ (%)	93.13	84.99	91.23	60.85
Conventional Lathe				
Designed production capacity ⁽²⁾ (no. of hours)	12,012.00	12,012.00	12,012.00	3,003.00
Output ⁽³⁾ (no. of hours)	3,287.26	5,016.23	5,869.22	1,978.83
Utilization rate ⁽⁴⁾ (%)	27.37	41.76	48.86	65.90

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Type of machines ⁽¹⁾	Year ended March 31,			Three months ended
	2014 ⁽⁶⁾	2015	2016	June 30, 2016
Milling Machine				
Designed production capacity ⁽²⁾ (no. of hours)	12,012.00	12,012.00	12,012.00	3,003.00
Output ⁽³⁾ (no. of hours)	6,692.84	5,203.68	5,225.04	1,038.52
Utilization rate ⁽⁴⁾ (%)	55.72	43.32	43.50	34.58
Slotting Machine				
Designed production capacity ⁽²⁾ (no. of hours)	12,012.00	12,012.00	12,012.00	3,003.00
Output ⁽³⁾ (no. of hours)	4,418.50	6,521.00	7,920.50	2,574.50
Utilization rate ⁽⁴⁾ (%)	36.78	54.29	65.94	85.73
Grinding Machine				
Designed production capacity ⁽²⁾ (no. of hours)	6,006.00	6,006.00	6,006.00	1,501.50
Output ⁽³⁾ (no. of hours)	1,152.02	1,799.44	2,141.92	723.66
Utilization rate ⁽⁴⁾ (%)	19.18	29.96	35.66	48.20
Sand Blasting Machine				
Designed production capacity ⁽²⁾ (no. of hours)	12,012.00	12,012.00	12,012.00	3,003.00
Output ⁽³⁾ (no. of hours)	2,236.30	2,255.66	2,486.71	753.31
Utilization rate ⁽⁴⁾ (%)	18.62	18.78	20.70	25.09
Oven Machine				
Designed production capacity ⁽²⁾ (no. of hours)	12,012.00	12,012.00	12,012.00	3,003.00
Output ⁽³⁾ (no. of hours)	5,899.52	5,268.81	5,707.15	967.43
Utilization rate ⁽⁴⁾ (%)	49.11	43.86	47.51	32.22
Overall utilization rate⁽⁵⁾	98.95	79.11	86.21	72.47

Notes:

- (1) Since the machines above can generally be used interchangeably to manufacture various parts and components of our DTH rockdrilling tools, the production capacity and output of our machines depend on the mix and complexity of the products we manufactured. The above designed production capacity and output figures are based on the assumptions that only machines bought before the beginning of the relevant year were counted and all relevant products can be converted into our standardized products, which are (i) down-the-hole hammers, (ii) casing systems (comprising driver bits and casing bits) and (iii) button bits and bit openers, classified into the specific product range as heavy, medium and light in the relevant year.
- (2) The designed production capacity figures are calculated in number of hours based on a number of assumptions, including the daily operation time, the number of working days, the capacity of each machine per hour and the total number of machines installed for the relevant year. The figures for the years ended March 31, 2014, 2015 and 2016 are based on the assumption that each machine operates 21 hours per day, 26 days per month and 11 months per year. The figures for the three months ended June 30, 2016 are based on the assumption that each machine operates 21 hours per day, 26 days per month and three months from April 1, 2016 to June 30, 2016.

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- (3) The output figures are calculated in number of hours by multiplying the number of products (being light, medium and heavy (i) down-the-hole hammers, (ii) casing systems (comprising driver bits and casing bits) and (iii) button bits and bit openers) produced, by the number of production hours required for unit product in each product category. For the purposes of this calculation, the number of products produced, and the related number of production hours for each unit product, have been generalized and based upon the product with the largest volume produced (e.g. the 8 inch down-the-hole hammer for light down-the-hole hammers).
- (4) Utilization rate of each type of machines is calculated by dividing output by designed production capacity for the relevant year.
- (5) The overall utilization rate is calculated by aggregating the weighted percentage of usage of each type of machine as listed above. The weighted percentage of usage is calculated with reference to the percentage of usage based on the number of production hours during which that particular type of machine operated and the number of total production hours during which all types of machines as listed above operated.
- (6) During the year ended March 31, 2014, the Group has subcontracted certain production procedures (including part of the precision turning work of the components of our products) to an independent third party. Given the difficulty in quantifying such subcontracted production process, the output figures for that year also include the estimate number of production hours which have been subcontracted out. As such, the utilization rate of our machines at the production site for that year has been exaggerated.
- (7) The manufacture of our products involves heat treatment processes which have been subcontracted out to an independent third party during the Track Record Period and up to the Latest Practicable Date. As such, the calculation of the estimated production capacity, actual production level and utilization rate of our manufacturing facilities does not take into account the number of hours undertaken by the heat treatment processes.

The overall utilization rate for our manufacturing facilities was approximately 98.95%, 79.11%, 86.21% and 72.47% for the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. As we operate a number of different machines, our overall utilization rate is calculated by aggregating the weighted percentage of usage of each type of machine. In fact, we may experience high utilization rates for certain machines, such as our CNC lathe, CNC machine center and drilling machine, whilst other machines may operate at lower utilization rates. The changes in utilization rates of our manufacturing facilities over the Track Record Period reflected the trends in demand for our products. The decrease in our utilization rate for our manufacturing facilities for the three months ended June 30, 2016 was also due to a slowdown in demand for our self-manufactured products during this period following increased sales in March 2016 and our customers worked through their inventories. We expect our utilization rates for our manufacturing facilities to increase when the demand levels for our products regain momentum.

During the year ended March 31, 2014, we also outsourced parts of our manufacturing processes (including turning and milling procedures) to an independent third party subcontractor in order to meet the required delivery schedules. We subsequently invested in additional machinery (namely CNC lathes and CNC machine centers) and did not subcontract these processes in the years ended March 31, 2015 and 2016 or the three months ended June 30, 2016. As a result of our investment in new machines, our designed production capacity for these machines increased for the years ended March 31, 2015 and 2016 and the three months ended June 30, 2016, leading to a resulting decrease in utilization rate of such machines and which had an effect on our overall utilization rate for the years ended March 31, 2015 and 2016 and the three months ended June 30, 2016. We will replace or upgrade current machinery and invest in new machinery to improve our production capacity and/or capabilities as necessary, utilizing internal funding. Our current machines recently underwent and passed a detailed mandatory inspection

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in December 2015. We currently have no plans to replace our current machinery for the near foreseeable future, but will continue to monitor the condition of our machinery and have also retained funding in reserve in the event we are required to replace or upgrade our machinery.

Expansion plans

We plan to use the proceeds from the Public Offer to finance the capital expenditures in relation to our expansion plans, namely investing in our new manufacturing facility. Major categories of capital expenditures in relation to our new manufacturing facility to enhance our manufacturing capabilities, expand our self-designed and manufactured product range and enhance our logistics facilities include (i) rental and setting up of new factory premises; (ii) purchase of new machineries; (iii) installing and internalizing heat treatment facilities and processes; and (iv) purchase new trucks and transportation vehicles and increasing our manpower — we expect that the headcount of our manufacturing division will grow by over 80%. We expect to invest approximately HK\$7.4 million, HK\$14.6 million, HK\$15.3 million and HK\$10.7 million, respectively in the items set out above. We expect to commence our plans to set up the new manufacturing facility within one year after completion of the Public Offer. We expect to substantially complete such expansion plans within two years after commencement.

For further details on the use of our net proceeds and other aspects of our expansion plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Following the implementation of our plans to enhance our manufacturing capabilities, our annual production capacity is expected to be as follows:

Type of machine⁽¹⁾	Year ending March 31, 2019	
	Estimated number of machines	Designated production capacity (number of hours)⁽²⁾
CNC Lathe	4	24,024
CNC Machine Centers	3	18,018
Drilling Machine	3	18,018
Conventional Lathe	1	6,006
Slotting Machines	2	12,012
Friction Welding Machines	3	18,018
Welding Machines	3	18,018
Automatic Step-controlled Rotating Drill Rods Manufacturing Fixtures	2	12,012
Heat Treatment Plant ⁽³⁾	3	18,018

Notes:

- (1) Since the machines above can generally be used interchangeably to manufacture various parts and components of our new DTH rockdrilling tools (except for the heat treatment plant, which will be also used in the manufacturing of our existing range of DTH rockdrilling tools), the production capacity of the machines depend on the mix and complexity of the products to be manufactured by us.

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- (2) The designated production capacity figures are calculated in number of hours based on a number of assumptions, including the estimated daily operation time, the number of working days, the capacity of each machine per hour and the total number of machines to be installed for the relevant year. The above figures are based on the assumption that each machine operates 21 hours per day, 26 days per month and 11 months per year.
- (3) The heat treatment plant will be used in the manufacturing of our existing range of DTH rockdrilling tools as well as the new products to be manufactured by the Group.

We believe that the installation of additional new production lines consisting of machinery and equipment including CNC lathes, CNC machine centers, conventional lathes, slotting machines, drilling machines and welding machines, in particular, the friction welding machines and automatic step-controlled rotating drill rods manufacturing fixtures, which are dedicated for the manufacturing of our new products including drill pipes and casing tubes, which we currently source from external suppliers, as well as our self-developed cluster drill, will allow us to proactively meet our customers' needs.

The following are the main drivers for our plans to invest in a new manufacturing facility for production of new products:

- (a) *Timing.* During the year ended March 31, 2016, we have been able to increase the sales to our largest customer by selling drill pipes which are of high unit value which they previously sourced from suppliers other than our Group. We expect that we will be able to build on this and maintain or even grow our sales of drill pipes. We have also devoted time and energy towards the research and development of a self-designed and manufactured drill pipe, and have successfully developed and produced our own drill pipes. By being able to supply such self-designed and manufactured drill pipes, we believe that we can take advantage of our customers' demand for drill pipes to increase our revenues and improve profit margins.
- (b) *Lower costs and profit margins improvement.* Taking into consideration the related costs of production, including manpower, utilities and purchase of raw materials and related accessories, we expect that we will be able to produce our self-designed and manufactured drill pipes and casing tubes at costs which are approximately a third to half the price at which we would otherwise have to pay to source such products from our external suppliers. We would therefore be able to significantly improve our profit margins by selling our self-designed and manufactured drill pipes rather than drill pipes sourced from external suppliers.
- (c) *Quality control and stable supply.* By manufacturing our own self-designed drill pipes, we believe we would be able to better control the quality of the products which we supply to our customers. We would also be able to better manage the supply of such products without being subject to the ability of external suppliers to timely provide the products to meet customers' demand, thereby improving our service to our customers.
- (d) *Expansion of scope of product offerings.* By expanding our scope of product offerings, we believe that we will be able to increase the range of technical solutions we can offer our customers, which will help deepen our penetration with both local and overseas customers, which in turn will enhance our overall financial performance and strengthen our competitive position.

OUR BUSINESS

We are also seeking to internalize our heat treatment steps of our manufacturing process for the following reasons:

- (a) *Timing.* Historically, we have had to subcontract the heat treatment steps of our manufacturing process due to the technical nature of this procedure and lack of funds to invest in the requisite equipment. We now believe that through our years of experience manufacturing our products and dealing with heat treatment specialists, we have acquired the relevant technical know-how such that with the hiring of staff with the requisite skills and investment in the appropriate equipment, we would now be able to undertake this procedure ourselves.
- (b) *Lower costs and profit margins improvement.* We spent on average approximately HK\$6 million per annum for the three years ended March 31, 2016 on subcontracting heat treatment steps to external specialist heat treatment firms. We believe that by internalizing the heat treatment steps, even after taking into account the expected annual operating cost, the Group will be able to reduce such costs spent on subcontracting in the long run and further that we would be able to recoup the cost of HK\$15.3 million related to the purchase of the heat treatment facilities within their expected life of 6 to 7 years. From a unit cost perspective, we also expect that after taking into consideration our future costs of operating our new heat treatment machinery (including manpower and utilities), we will be able to reduce the heat treatment related costs per kilogram by approximately two-thirds.
- (c) *Reduction of production time.* By internalizing the heat treatment steps, we will be no longer required to deliver our partly finished goods to our external specialist heat treatment firm situated in Shenzhen, which will result in a reduction in travelling time (which currently may take several days including delivery and treatment time), as well as the related transportation costs and free up our vehicles and personnel to undertake other tasks.
- (d) *Quality control.* Currently, the heat treatment steps are the only part of our manufacturing process which we outsource to third parties. By internalizing this step and thereby ensuring that the entire manufacturing process is handled inhouse, we believe that we would be able to improve our control over the quality of our products, and we also believe that our ability to represent to our clients that our products are wholly self-manufactured will provide them with further confidence in the quality of our products.

We may face a number of risks and challenges in implementing our expansion plans, including technical difficulties, human or other resource constraints, or capital investment or funding constraints. For details, please refer to the paragraphs headed “Risk Factors — We may encounter unexpected difficulties in implementing our strategy for future growth.” in this prospectus. We also expect to incur additional depreciation going forward as a result of the installation of additional machinery and equipment. For details, please refer to the paragraphs headed “Risk Factors — We may experience a significant deterioration in financial performance for the years ending March 31, 2017 and 2018 which is mainly attributable to the Listing expenses and certain other factors arising from the application of the proceeds from the Public Offer.”.

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Delivery and aftersales services

Depending on the terms of the sales contract with our customer, we generally deliver our self-designed and manufactured products to our customers in Hong Kong and Macau within four weeks from the date of the sales contract, and to our overseas customers within eight weeks from the date of the sales contract. We generally deliver finished products to our customers in Hong Kong and Macau on a CIF Hong Kong basis, and to overseas customers on a FOB basis, except certain occasions upon the customers' request regarding the delivery arrangements. We fully assemble and test the products in our factory, then deliver the products by a combination of land, sea and air transport to destinations in Hong Kong, Macau and other overseas markets. We generally bear the transportation cost for delivery in Hong Kong and Macau while our customers in our overseas markets generally bear the transportation costs for their orders from Hong Kong port. Our customers generally inspect our products upon receipt.

In order to ensure that our customers are correctly and effectively using our products, we have an experienced aftersales team who, upon request, provide onsite technical support at our customers' construction sites in Hong Kong and Macau. Whilst we rely on our overseas distributors in Scandinavia, Japan and India to provide the end users with aftersales technical support in the first instance, we also provide assistance to them in this regard when necessary. We also offer other value-added services to our customers including repairing services for their machineries and equipment.

MAJOR QUALIFICATIONS AND LICENSES

As advised by the PRC Legal Advisers, there is no statutory licence, permit or approval necessary for our Group to be a manufacturer of DTH rockdrilling tools in the PRC under PRC laws.

Further, as advised by the PRC Legal Advisers, we have obtained all relevant licences, permits or approvals in relation to our operations in the PRC.

RESEARCH AND DEVELOPMENT

Our research and development department based in Hong Kong and the PRC has the following objectives and functions:

- (a) improve existing production processes to increase production efficiency and effectiveness or decrease production costs;
- (b) problem solving in relation to specific technical or quality requirements;
- (c) research and development of new production processes and new products, to enhance product quality; and
- (d) gather market intelligences and closely monitor the technology trend in our industry globally.

Further, our research and development team is also responsible for advising on and improving product design for our customers after receiving orders for our DTH rockdrilling tools in accordance with their project requirements in order to better achieve our customers' objectives. As of the Latest Practicable Date, our research and development team had five staff members, who have worked in our Group for around one year to eight years. The team is headed by Dr. Alberto Barbera, who was

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registered as an engineer in Italy in 1975 and has more than 40 years of experience in the engineering and DTH rockdrilling tool industries. Our research and development team has successfully developed two new technologies which are utilized for new products and have registered 16 patents for these technologies in different jurisdictions. Please refer to the paragraphs headed “Our Business — Intellectual Property” in this prospectus for details of our patents.

During the Track Record Period, we also engaged a Korean company to carry out certain research and development projects in relation to rockdrilling equipment for us. This engagement has already concluded. Pursuant to the agreement between the Korean company and us, we retained the ownership of all know-how, conceptual or detail designs resulting from this arrangement. We are of the view that this research and development arrangement has inspired us to develop new technological solutions relating to the manufacture of DTH rockdrilling tools and has enhanced our ability to explore new technology, know-how and skills, which we believe has provided a strong foundation for our inhouse research and development team. During the Track Record Period, our expenditure on research and development, which comprised salaries costs for research development staff, amounted to approximately HK\$7.0 million in aggregate.

OUR SUPPLIERS

We select our raw materials suppliers based on product quality, service and delivery time. We conduct sample inspections of major raw materials we receive to ensure that they meet our specifications as well as our inhouse quality standards.

The principal raw materials we use in the manufacturing of our DTH rockdrilling tools include alloy steel and tungsten carbide. We source these materials principally from five suppliers in the PRC. For the three years ended March 31, 2016 and the three months ended June 30, 2016, the purchase of raw materials for production of DTH rockdrilling tools constituted our largest cost, which together accounted for approximately 31.2%, 44.1%, 36.6% and 32.8% of our total cost of sales, respectively. We generally do not enter into long-term sale and purchase agreements with our suppliers of raw materials and we normally place purchase orders with our suppliers for raw materials based on our production needs. The raw materials provided by our suppliers must conform with the specifications and quality standards requested by us. Our quality control staff inspect the raw materials upon delivery. Our suppliers shall arrange for re-delivery or exchange of goods if the raw materials are defective. Generally, our suppliers of alloy steel grant us an average credit period of two months after the goods are dispatched by them, whereas our suppliers of tungsten carbide grant us a credit period of one month after the goods are dispatched by them or require payment prior to delivery.

We source piling and drilling machineries and rockdrilling equipment from suppliers mainly located in Japan, the PRC, Italy, Korea and Australia, who are independent third parties. We generally do not enter into long-term sale and purchase agreements with our suppliers of piling and drilling machineries and rockdrilling equipment and we normally place purchase orders with these suppliers based on our customers’ needs. Under the sales orders with such suppliers, we generally make payment upon the receipt of the goods. We are usually given credit terms of 60 days by our supplier in Australia, while our suppliers in Korea normally request a down payment with the balance to be settled on delivery based on the product type we order or the transaction amount. We settle our purchases of piling and drilling machineries and rockdrilling equipment in US\$, EUR, JPY or RMB, depending on the location of the supplier, and our raw material suppliers’ invoices usually by telegraphic transfers in RMB. For

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the three years ended March 31, 2016 and the three months ended June 30, 2016, we incurred costs of approximately HK\$59.5 million, HK\$54.6 million, HK\$48.0 million and HK\$8.8 million, respectively, for purchases of raw materials, machineries and equipment from suppliers.

Basis and Criteria for Selection of Suppliers

To ensure that the raw materials supplied to us are of good quality and the supply can be made on a timely basis, we have established a set of criterion to assess the suitability of potential suppliers based on qualifications, experience, technical processes, production capacity, product quality, machinery and equipment, proximity to our Shunde factory, terms offered by them and their ability to assure timely delivery. Our procurement personnel may also conduct site visit of the potential suppliers before we place purchase orders with such potential suppliers. In addition, we also regularly evaluate our suppliers, which include an assessment on their services, product quality and product delivery time.

We have long-standing relationships with our major suppliers, and we have not experienced any significant difficulties in sourcing raw materials, machines or equipment during the Track Record Period. During the Track Record Period, we did not rely on any single supplier for raw materials, machines or equipment and did not experience any material shortage or delay of our major raw materials, machines or equipment. We also source our key raw materials, alloy steel and tungsten carbide, from multiple suppliers to ensure timely supply and to manage costs.

Raw Material Prices

The purchase price of our raw materials are generally determined with reference to the prevailing market conditions. As we usually make procurement arrangement with suppliers prior to entering into sales contracts with our customers, while an objective of our inventory management is to secure a stable supply of quality raw materials to serve our productions schedule, and we also source our major raw materials from multiple suppliers, we may not be able to effectively pass on the effects of fluctuations in such costs to our customers. We do not undertake hedging activities against the price of raw materials. During the Track Record Period, we have not experienced any material adverse effects to our business or financial performance as a result of price fluctuations of raw materials. For details please refer to the risk factor headed “Fluctuations in raw material prices and rising labor costs in the PRC may adversely affect our business.” in the section headed “Risk Factors” in this prospectus, as well as the paragraph headed “Industry Overview — Prices of Key Materials” in this prospectus.

Top Suppliers

For the three years ended March 31, 2016 and the three months ended June 30, 2016, our single largest supplier accounted for approximately 29.6%, 39.0%, 29.5% and 24.3%, respectively, of our total purchases, in terms of cost and our five largest suppliers, who are independent third parties, together accounted for approximately 73.5%, 75.9%, 64.3% and 87.1%, respectively, of our total cost of sales.

None of the Directors or their associates, or any shareholders of our Company, who, (to the knowledge of our Directors) beneficially own more than 5% of our issued share capital, have had any interest in any of our five largest suppliers for the three years ended March 31, 2016 and the three months ended June 30, 2016.

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The following tables set forth the details of our top five suppliers in each of the years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016:

For the year ended March 31, 2014:

Supplier	Background	Location	Total amount of purchase (HK\$'000)	Approximate % of total supplies purchased	Rank	Length of business relationship with our Group as of the Latest Practicable Date
Supplier A	Manufacturer of steel related materials	PRC	18,667	29.6%	1	7 years
Supplier B	Supplier of tools and general machinery	Korea	9,385	14.9%	2	6 years
Supplier C ⁽¹⁾	Wholesaler of tungsten carbide products	PRC	7,743	12.2%	3	8 years
Japan distributor ⁽²⁾	Trader of construction machinery	Japan	6,490	10.3%	4	15 years
Supplier E	Manufacturer of tungsten carbide products	PRC	4,107	6.5%	5	6 years
Total:			46,392	73.5%		

Notes:

1. Supplier C is a subsidiary of a company listed on the Shenzhen Stock Exchange.
2. Japan distributor is also one of our customers and was one of our top five customers for the year ended March 31, 2016.

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For the year ended March 31, 2015:

Supplier	Background	Location	Total amount of purchase (HK\$'000)	Approximate % of total supplies purchased	Rank	Length of business relationship with our Group as of the Latest Practicable Date
Supplier A	Manufacturer of steel related materials	PRC	21,851	39.0%	1	7 years
Supplier B	Supplier of tools and general machinery	Korea	6,487	11.6%	2	6 years
Supplier C	Wholesaler of tungsten carbide products	PRC	5,528	9.9%	3	8 years
Supplier E	Manufacturer of tungsten carbide products	PRC	4,478	7.9%	4	6 years
Supplier F	Manufacturer of construction machinery	PRC	4,250	7.5%	5	2 years
Total:			42,594	75.9%		

For the year ended March 31, 2016:

Supplier	Background	Location	Total amount of purchase (HK\$'000)	Approximate % of total supplies purchased	Rank	Length of business relationship with our Group as of the Latest Practicable Date
Supplier A	Manufacturer of steel related materials	PRC	15,451	29.5%	1	7 years
Supplier C	Wholesaler of tungsten carbide products	PRC	6,312	12.1%	2	8 years
Supplier B	Supplier of tools and general machinery	Korea	5,841	11.2%	3	6 years
Italy Machineries Supplier	Manufacturer of machinery for mining, quarrying and construction	Italy	3,205	6.1%	4	1 year
PRC Machineries Supplier ⁽³⁾	Manufacturer of construction machineries	PRC	2,808	5.4%	5	1 year
Total:			33,617	64.3%		

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Note:

(3) PRC Machineries Supplier is a subsidiary of a state-owned enterprise in the PRC.

For the three months ended June 30, 2016:

Supplier	Background	Location	Total amount of purchase <i>(HK\$'000)</i>	Approximate % of total supplies purchased	Rank	Length of business relationship with our Group as of the Latest Practicable Date
Supplier B	Supplier of tools and general machinery	Korea	2,423	24.3%	1	6 years
Supplier A	Manufacturer of steel related materials	PRC	2,023	20.3%	2	7 years
Italy Machines Supplier	Manufacturer of machinery for mining, quarrying and construction	Italy	1,623	16.3%	3	1 year
Supplier G	Manufacturer of steel related materials	PRC	1,346	13.5%	4	1 year
Supplier E	Manufacturer of tungsten carbide materials	PRC	1,261	12.7%	5	6 years
Approximate % of our total supplies purchased attributable to our top five suppliers			8,676	87.1%		

Supplier Distributor/Agency Agreements

Material terms of our PRC Distributor Agreement and our Italy Agency Agreement, pursuant to which we source piling and drilling machineries and rockdrilling equipment are as follows:

PRC Distributor Agreement

We signed the PRC Distributor Agreement on August 11, 2015 with our PRC Machineries Supplier, the manufacturing arm of a PRC state-owned listed group, as further supplemented by a supplementary agreement dated August 25, 2016. The key terms of the PRC Distributor Agreement are as follows:

Term: Subject to meeting prescribed annual sales targets in relation to the specialized drilling machinery specially targeted at the Hong Kong market which we co-designed with our PRC Machineries Supplier (the “**Co-designed Machine**”), our appointment as exclusive distributor for the Co-designed Machine shall be automatically extended for a further year. After the third year of meeting such sales targets, our appointment as exclusive distributor for the Co-designed Machine will become permanent.

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Exclusivity: Subject to meeting certain sales targets (the details of which are set out below), we may distribute the foundation work related machinery and equipment products of our PRC Machineries Supplier in Hong Kong, Macau and India on an exclusive basis.

Pricing: The agreement includes a guaranteed price for the supply of certain machineries until December 31, 2016, and at a guaranteed discount thereafter. The agreement does not prescribe or suggest any retail prices of the products. We shall bear and pay all expenses incurred by us relating directly or indirectly to the sales of the products.

Annual sales target: The agreement prescribes annual sales targets in relation to the Co-designed Machine, which we are required to meet, as follows: (i) for the first year from April 1, 2016 to March 31, 2017 — one machine; (ii) for the second year from April 1, 2017 to March 31, 2018 — three machines; and (iii) for the third year from April 1, 2018 to March 31, 2019 — five machines. Save that our appointment as exclusive distributor for the Co-designed Machine will not be automatically renewed, the agreement does not specify any other specific penalties should we fail to meet our sales target.

Warranties: Our PRC Machineries Supplier shall be responsible for providing aftersales services and warranties for one year. We shall provide reasonable and necessary assistance.

Italy Agency Agreement

On January 4, 2016, we signed the Italy Agency Agreement with our Italy Machineries Supplier, an Italian manufacturer. The key terms of the Italy Agency Agreement are as follows:

Term: The Italy Agency Agreement shall be effective for a period of five years, and thereafter shall continue automatically unless terminated by either party giving to the other not less than three months' notice in writing.

Exclusivity: We may distribute all products manufactured by our Italy Machineries Supplier, being various models of drilling machineries, in Hong Kong and Macau on an exclusive basis.

Pricing: The agreement does not prescribe or suggest any retail prices of the products. We shall bear and pay all expenses incurred by us relating directly or indirectly to the sales of the products.

Annual sales target: We have an annual sales target of three machines per year.

Warranties: Our Italy Machineries Supplier shall provide a one year warranty for all products supplied where under normal and proper operational conditions, limited to supply of replacement components and technical assistance for faulty materials or workmanship not as a consequence of fair wear and tear.

OUR BUSINESS

INVENTORY MANAGEMENT

Our inventory includes raw materials and partly completed products that are frequently used in our manufacturing process as well as certain of our completed products. Our production management staff closely monitor the inventory level of our raw materials and partly completed products to ensure we maintain a certain level of inventory for future production or to meet future demand. Such inventory level will be reviewed from time to time by reference to our expectation of future demand based on the upcoming construction projects in our markets, outstanding sales orders and our production schedule. This way, we believe we are able to avoid stocking up raw materials unnecessarily but at the same time secure a stable supply of quality raw materials at reasonable costs. We are also able to reduce production lead time if our inventory of raw materials and partly completed products can be appropriately matched with customers' orders. Similarly, as we maintain a reasonable level of certain completed products based on our expectation of future demand and our customers' project requirements, we are able to reduce our delivery lead time. Further, we also stock certain piling and drilling machineries and rockdrilling equipment which we source from our external suppliers and store these in our warehouses in Hong Kong.

OUR CUSTOMERS

We have a diversified customer base of over 130 customers, including certain foundation companies listed on the Hong Kong Stock Exchange. Our top five customers during the Track Record Period were independent third parties. We generally do not enter into long-term sale and purchase agreements with our customers. The major contract terms with our customers are set out in sales contracts and purchase orders.

We primarily sell our DTH rockdrilling tools through our sales force to our customers in Hong Kong and Macau. We also sell our products through independent third party distributors to overseas markets so as to expand our market presence and facilitate communication with end users. We also sell piling and drilling machineries and rockdrilling equipment which we source from external suppliers to customers in Hong Kong and Macau.

During the Track Record Period, we mainly sold our products to our customers in Hong Kong and Macau, and through our distributors to end-customers in Scandinavia and Japan. Hong Kong was our major market and contributed approximately HK\$134.3 million, HK\$114.8 million, HK\$125.6 million and HK\$24.2 million, respectively, representing approximately 89.2%, 90.7%, 88.6% and 87.3% of our total revenue, respectively, for the three years ended March 31, 2016 and the three months ended June 30, 2016. For the same periods, sales to Macau, Scandinavia, Japan and other regions was approximately HK\$16.2 million, HK\$11.8 million, HK\$16.2 million and HK\$3.5 million, respectively, representing approximately 10.8%, 9.3%, 11.4% and 12.7%, respectively, of our total revenue.

Our sales and marketing team is responsible for procuring new customers in Hong Kong and Macau for our self-designed and manufactured DTH rockdrilling tools as well as piling and drilling machineries and rockdrilling equipment which we source from third parties. Our sales and marketing team is also responsible for responding to enquiries from potential customers, participating in the negotiation of sales contracts, seeking manufacturing orders, liaising with customers with regard to the design and production of DTH rockdrilling tools as well as finalizing sales contracts.

OUR BUSINESS

We regularly contact our existing customers and inform our potential customers of our product information by sending them our product catalogs. From time to time, we advertise our products in industry magazines. We also actively attend international exhibitions to promote our brand and products. In light of our specialized customer base, we believe that user referrals and word-of-mouth marketing of our technical excellence have been effective means of acquiring new customers. For the three years ended March 31, 2016 and the three months ended June 30, 2016, our selling and distribution expenses amounted to approximately HK\$3.6 million, HK\$3.8 million, HK\$4.0 million and HK\$1.0 million, respectively.

Pricing Strategy

Since we typically source business through direct customer interfacing, pricing for many of our products is determined through individual negotiations with our customers as part of our ordering process, which is conducted by our management and business development team of six persons, including Mr. Kenneth Chan, who was an associate member of the Institution of Mechanical Engineers in the United Kingdom in April 1991. In pricing our products, we take into consideration the prices of comparable products offered by our competitors, degree of saturation of the current market, market trends, production costs, individual customer specifications, our relationship with a particular customer and the location of our customers. The final price shall be approved by an Executive Director. During the Track Record Period, our business was not affected by seasonality.

Payment Terms

Our terms of payment generally include partial and full upfront payment, payment on delivery, and payment within 30 to 90 days upon delivery. The terms of payment with our customers depend on their creditworthiness and our business relationship with them. We normally request cash on delivery for our new customers. We typically grant our customers an average credit period from 30 days to 90 days from the date of delivery. Longer credit periods may also be available to certain customers with good credit record and with whom we have established business relationships.

Warranty, Customer Complaints and Product Return

Except for our sales to our distributors, we generally do not provide any warranty for our products. If our customers have complaints regarding the quality of our products, they may contact our sales and marketing personnel, who will record details of such complaints, including details of drilling data such as an estimate of the depth drilled by the particular rockdrilling tool. We will analyze details of the claim and our finance department will also verify details of the purchase order. If it is determined that the complaint is due to manufacturing fault or defective materials, with the approval of an Executive Director, we may offer a percentage discount or a credit note for a replacement item. Occasionally, we provide a one year warranty for products we source from external suppliers where we obtain corresponding warranties. During the Track Record Period, we have not experienced any product return which has had a material impact on our business and operation, and we have not recalled any product due to quality or other issue.

OUR BUSINESS

Overseas Distribution

We leverage our network of independent third party distributors to expand the breadth and depth of our overseas market presence and facilitate communication with end users. We believe that the use of distributors is generally in line with industry practice, according to the Frost & Sullivan Report. During the Track Record Period, we sold our DTH rockdrilling tools to two distributors we engaged, located in Finland and Japan, covering sales to Scandinavia and Japan, respectively. In May 2016, we engaged an exclusive distributor to sell our products in India.

We select distributors based on their business qualifications and marketing capabilities, such as distribution network coverage, quality, reputation, number of personnel, cash flow conditions, creditworthiness, logistics, and transport capabilities, their capabilities in customer management and their ability to provide aftersales technical support to the end users. Our sales personnel conduct ongoing evaluations of each distributor's performance including their service quality, sales activities and whether they are able to provide accurate service and product information to end customers. We evaluate and appraise the performance of our distributors and their compliance record with the terms and conditions under the distribution agreements. As of the Latest Practicable Date, we were not aware of any potential abuses or improper use of our brand name by our distributors which could adversely affect our reputation, business operation, and financial condition. During the Track Record Period, we had not relied on any single distributor for the distribution of our products.

We have a seller-buyer relationship with our distributors and revenue is recognized when ownership has been transferred to the distributors, other than for specific transactions when our Indian distributor elects to act as an agent, in which case such transactions would be on a principal-agent basis and revenue recognized only when ownership has been transferred to the ultimate customer. We retain no ownership control over the products sold to our distributors, and all significant risks and rewards associated with the products are generally transferred to the distributors upon delivery to and acceptance of our products by the distributors. We negotiate distribution agreements separately with each of our distributors based on their individual circumstances.

Scandinavian distributor

Our Scandinavian distributor has been our exclusive sales agent for our products including down-the-hole hammers, casing systems and button bits in Denmark, Finland, Iceland, Norway and Sweden since May 2014. We entered into a distributor agreement with our Scandinavian distributor in May 2014. The key terms of our distributor agreement with our Scandinavian distributor are as follows:

Term: The distributor agreement will expire on December 31, 2018 and shall be automatically renewed from year to year thereafter. The agreement may be terminated with three months' notice of intent to terminate to the other party.

Exclusivity: Our Scandinavian distributor may distribute our down-the-hole hammers, casing systems and button bits in Finland, Sweden, Norway, Denmark and Iceland on an exclusive basis. The Scandinavian distributor shall not distribute these products outside the specified territories.

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Pricing: The agreement does not prescribe or suggest any retail prices of our products. All the selling prices offered by us to our Scandinavian distributor do not include any sales, use, value added or other taxes which may be applicable to sales of our products to our Scandinavian distributor. Such taxes shall be added to our Scandinavian distributor's invoice and paid by our Scandinavian distributor together with the balance otherwise due thereon. We shall bear and pay all expenses incurred by us relating directly or indirectly to the sales of our products.

Payment terms: We have agreed to grant a credit term of 90 days to our Scandinavian distributor from date of invoice. Accrued accounts payable from our Scandinavian distributor may not be greater than USD200,000.

Delivery: Our Scandinavian distributor may refuse to accept any product that does not conform to the specifications or is delivered late. We will then need to establish the procedure for the containment, accumulation, sorting and return of these products with our Scandinavian distributor. We shall pay the round trip shipping costs for non-conforming products not accepted by our Scandinavian distributor.

Intellectual Property Rights: We have authorized the Scandinavian distributor to use our intellectual property rights for the purposes of marketing our products, subject to certain conditions.

Warranty: With the exception of normal wear and tear of products during use, we have warranted to our Scandinavian distributor that our products shall be manufactured in accordance with all applicable specifications and standards and shall be free from defects in material and workmanship under normal and proper use. Our Scandinavian distributor has to notify us of any product warranty claim and we will confirm the method of settling the product warranty claim to our Scandinavian distributor with the maximum limit being the replacement of the defective item.

Duties: The agreement does not prescribe any sales targets or minimum purchase amounts. Our Scandinavian distributor shall deliver sales and inventory reports and estimates on a quarterly basis, and keep us informed of any information in the course of business of distributing our products which is likely to be of interest to us.

Japan distributor

Our Japan distributor has been the exclusive distributor for our products in Japan since April 2015. We entered into a written agreement with our Japan distributor in April 2015. The key terms of our agreement with our Japan distributor are as follows:

Term: The agreement has a term of five years and thereafter shall continue automatically unless and until terminated by either party giving not less than three months' notice in writing.

Exclusivity: Our Japan distributor may distribute our products in Japan on an exclusive basis but not outside Japan.

Pricing: The agreement does not prescribe or suggest any retail prices of our products. The Japan distributor shall bear and pay all expenses incurred by it relating directly or indirectly to the sale of our products.

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Warranty: We have not offered any terms of warranties under our agreement with our Japan distributor.

Duties: The agreement does not prescribe any sales targets or minimum purchase amounts. Our Japan distributor should participate in sales promotion activities regarding our products. Our Japan distributor shall safeguard our intellectual property rights and interests, and keep us informed of any information in the course of business of distributing our products which is likely to be of interest to us.

India distributor

We engaged our India distributor in May 2016 and further revised the terms of our engagement in September 2016, pursuant to which our India distributor has been appointed as our exclusive sales agent and/or distributor (which shall be determined on a case-by-case basis) for our products in India. The key terms of our agreement with our India distributor are as follows:

Term: The agreement has a term of three years and thereafter shall continue automatically on a yearly basis unless and until terminated by either party giving not less than six months' notice in writing.

Exclusivity: Our India distributor may distribute our products in India on an exclusive basis but not outside India.

Pricing: The agreement does not prescribe or suggest any retail prices of our products. The distributor shall bear and pay all expenses incurred by the distributor relating to the sale of our products.

Warranty: We have warranted to our India distributor (for a period of six months from date of delivery of the relevant product) that our down-the-hole hammers shall be free from defects in material and workmanship under normal and proper operational conditions, with the maximum limit being the value of replacement of the defective item.

Duties: The agreement does not prescribe any sales targets or minimum purchase amounts. Our India distributor should participate in sales promotion activities regarding our products and promote our products at its expense. Our India distributor shall safeguard our intellectual property rights and interests, and keep us informed of any information in the course of business of distributing our products which is likely to be of interest to us.

All of our distributors are independent third parties. None of our Directors or their Associates, or any shareholder of our Company, who, (to the knowledge of our Directors) beneficially own more than 5% of our issued share capital, have any interest in any of our distributors. During the Track Record Period, sales to our distributors, being our Scandinavian distributor and our Japan distributor, generated approximately HK\$3.3 million, HK\$2.9 million, HK\$10.2 million and HK\$1.3 million, which accounted for approximately 2.2%, 2.3%, 7.2% and 4.7% of our total revenue for the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. During the Track Record Period, we had not experienced any material request for product reproduction or replacement from our distributors.

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Top Customers

For the three years ended March 31, 2016 and the three months ended June 30, 2016, our single largest customer accounted for approximately 26.1%, 25.3%, 40.5% and 43.2%, and our five largest customers together accounted for approximately 49.2%, 49.1%, 57.1% and 64.4%, respectively, of our revenue. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our major customers.

The following tables set forth the details of our top five customers in each of the years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016:

For the year ended March 31, 2014:

Customer	Background	Location	Total amount of sales (HK\$'000)	Approximate % of our revenue	Rank	Length of business relationship with our Group as of the Latest Practicable Date
Ngai Shun Construction & Drilling Company Limited (“Ngai Shun”) ⁽¹⁾	Piling and foundation works contractor	Hong Kong	39,335	26.1%	1	18 years
Customer A ⁽²⁾	Foundation works contractor	Hong Kong	11,894	7.9%	2	7 years
Customer B ⁽³⁾	Foundation works contractor	Hong Kong	9,826	6.5%	3	5 years
Customer C ⁽⁴⁾	Piling and foundation works contractor	Hong Kong	7,839	5.2%	4	4 years
Customer D ⁽⁵⁾	Foundation works and welding works service company	Hong Kong	5,203	3.5%	5	11 years
Total:			74,097	49.2%		

Notes:

- (1) Ngai Shun is a registered specialist contractor under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the “**Buildings Ordinance**”) and an indirect subsidiary of Ngai Shun Holdings Limited which has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01246) since 2013.
- (2) Customer A is a registered specialist contractor under the Buildings Ordinance and an indirect subsidiary of a company which has been listed on the Main Board of the Hong Kong Stock Exchange since 2015.
- (3) Customer B is a registered specialist contractor under the Buildings Ordinance. It is a private limited company and was one of the awardees of Model Subcontractor Awards — Bronze Award under 21st Considerate Contractors Site Award Scheme co-organized by the Development Bureau and the Construction Industry Council for a project of reconstruction and rehabilitation.

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(4) Customer C is a registered specialist contractor under the Buildings Ordinance and an indirect subsidiary of a company which has been listed on the Growth Enterprise Market of the Hong Kong Stock Exchange since 2015. According to its parent company's 2016 annual report, the parent company and its subsidiaries were principally engaged in the foundation business as a foundation subcontractor in Hong Kong.

(5) Customer D is a private limited company which has been incorporated for more than 13 years in Hong Kong.

For the year ended March 31, 2015:

Customer	Background	Location	Total amount of sales (HK\$'000)	Approximate % of our revenue	Rank	Length of business relationship with our Group as of the Latest Practicable Date
Ngai Shun	Piling and foundation works contractor	Hong Kong	32,047	25.3%	1	18 years
Customer B	Foundation works contractor	Hong Kong	11,441	9.0%	2	5 years
Wing Shing Caisson & Foundation Limited ("Wing Shing") ⁽⁶⁾	Foundation works contractor	Hong Kong	6,795	5.4%	3	3 years
Customer A	Foundation works contractor	Hong Kong	6,595	5.2%	4	7 years
Fulight Engineering Limited ("Fulight") ⁽⁷⁾	Heavy construction and foundation works contractor	Hong Kong	5,327	4.2%	5	7 years
Total:			62,205	49.1%		

Notes:

(6) Wing Shing is a registered general building contractor and a registered specialist contractor under the Buildings Ordinance.

(7) Fulight is a private limited company which has been incorporated for more than 29 years in Hong Kong.

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For the year ended March 31, 2016:

Customer	Background	Location	Total amount of sales <i>(HK\$'000)</i>	Approximate % of our revenue	Rank	Length of business relationship with our Group as of the Latest Practicable Date
Ngai Shun	Piling and foundation works contractor	Hong Kong	57,465	40.5%	1	18 years
Customer B	Foundation works contractor	Hong Kong	7,656	5.4%	2	5 years
Japan distributor ⁽⁸⁾	Trader of construction machinery	Japan	6,611	4.7%	3	2 years
Customer E ⁽⁹⁾	Building construction and Foundation works contractor	Hong Kong	5,181	3.7%	4	7 years
Customer C	Piling and foundation works contractor	Hong Kong	3,978	2.8%	5	4 years
Total:			80,891	57.1%		

Notes:

- (8) Japan distributor is also one of our suppliers and was one of our top five suppliers for the year ended March 31, 2014. It is a private joint stock company. It has been incorporated for more than 34 years and principally engaged in trading of construction machinery, repair service and civil engineering work.
- (9) Customer E is a registered general building contractor and a registered specialist contractor under the Buildings Ordinance.

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For the three months ended June 30, 2016:

Customer	Background	Location	Total amount of sales (HK\$'000)	Approximate % of our revenue	Rank	Length of business relationship with our Group as of the Latest Practicable Date
Ngai Shun	Piling and foundation works contractor	Hong Kong	11,978	43.2%	1	18 years
Customer B	Foundation works contractor	Hong Kong	2,087	7.5%	2	5 years
Customer D	Foundation works and welding works service company	Hong Kong	1,314	4.7%	3	11 years
Customer F ⁽¹⁰⁾	Foundation works contractor	Macau	1,290	4.6%	4	4 years
Customer C	Piling and foundation works contractor	Hong Kong	1,229	4.4%	5	4 years
Approximate % of our revenue attributable to our top five customers			17,898	64.4%		

Note:

(10) Customer F is a private limited company which has been incorporated for more than 10 years.

None of our Directors or their respective associates, or any shareholders of our Company, who (to the knowledge of our Directors) beneficially own more than 5% of our issued share capital, have had any interest in any of our five largest customers for the Track Record Period.

Customer concentration

For the three years ended March 31, 2016 and the three months ended June 30, 2016, our single largest customer accounted for approximately 26.1%, 25.3%, 40.5% and 43.2%, respectively, and our five largest customers together accounted for approximately 49.2%, 49.1%, 57.1% and 64.4%, respectively, of our revenue. Despite such customer concentration, our Directors consider that we do not overly rely on our largest customer or our top five customers because:

- (i) our sales to our largest customer reflects our long-standing relationship and our accommodation of their requests for quotations and sales as far as our resources allowed, instead of turning down their requests, resulting in them being our largest customer. The increase of sales to our largest customer in the year ended March 31, 2016 also reflects the success of our business strategy to deepen our penetration with our customers in the Hong Kong market, whereby we were able to sell to them an additional range of DTH rockdrilling tools which they previously sourced from suppliers other than our Group, including increasing the number and range of down-the-hole hammers sold in the year ended March 31,

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2016 compared to the year ended March 31, 2015, as well as the sales of drill pipes for the first time during the year ended March 31, 2016, all of which contributed to the increase in revenue generated from our largest customer during this period;

- (ii) there is a mutual business dependency and benefit between us and our major customers as our Directors believe that our wide range of DTH rockdrilling tools, machineries and equipment required in ground engineering and piling/foundation drilling works, our previous job references, our ability to provide one-stop technical solutions and support, our production and delivery lead times and our price competitiveness also provide business advantages to our customers when choosing us to perform rockdrilling works;
- (iii) considering that different customers have constituted our top five customers over each of the past three years and further, our efforts to increase our sales in our international markets, for example, our Japan distributor was the third largest customer in terms of revenue in the year ended March 31, 2016, our Directors consider that even should our largest customer or any other major customer substantially reduce the number of contracts placed with us or terminates its business relationship with us, we would be able to replace this with orders from existing and new customers due to the expected growth of demand for DTH rockdrilling tools both in Hong Kong and in our international markets and our competitive strengths as detailed in the section headed “Our Business — Competitive Strengths” in this prospectus; and
- (iv) considering the nature of the foundation industry in Hong Kong in which our customers operate, our customer base comprising foundation companies and contractors is relatively concentrated. According to the Frost & Sullivan Report, given the market landscape of the DTH rockdrilling tool industry in Hong Kong, the potential customer base of our Group is limited and customer concentration is not uncommon.

For details of the revenue concentration risk, please refer to “Risk Factors — We rely on a limited number of customers for a portion of our revenues.” in this prospectus.

COMPETITION

We operate in a highly competitive environment. We principally compete with regional and overseas DTH rockdrilling tool companies on price, quality, advanced technology, reliability of supply, ability to provide a wide range of tailor made and durable products and aftersales service.

In the DTH rockdrilling tool industry, we believe that the principal barriers to entry include high technical requirements, substantial initial investment and established relationships between existing players and end users.

We believe that we are well-positioned to compete in both domestic and international markets, and that our strengths and strategies will differentiate us from our competitors. Please refer to the section headed “Our Business — Competitive Strengths” in this prospectus for a discussion of our competitive strengths.

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OUR EMPLOYEES

As of the Latest Practicable Date, our Group had 135 employees who are all directly employed by us. The following table sets forth the number of our employees by functional role and geographical location:

Department	Numbers of Employees		Total
	Hong Kong	the PRC	
Management and Business Development	3	3	6
Administration and Human Resources	3	16	19
Procurement and Logistic	2	9	11
Manufacturing	1	72	73
Research and Development	1	4	5
Finance and Accounting	5	7	12
Technical Support and Quality Control	2	7	9
	17	118	135

Note: Certain employees may be involved in more than one department.

As at March 31, 2014, 2015 and 2016 and June 30, 2016, the total number of our employees has increased by approximately 6.7%, 15.8%, 20.0% and 21.2%, respectively, compared to the preceding date.

On-the-job training will be provided to our new employees for manufacturing. We have entered into arrangements with two technical training schools in Sichuan whereby their apprentices will complete their technical training at our Shunde factory. Some of the apprentices have been retained as full-time employees following completion of their internships at our Shunde factory. The remuneration payable to our employees includes salaries and allowances, which is based on a number of factors including qualifications, contributions and performance. We conduct periodic performance reviews for our employees.

We are required, for the benefit of our employees in the PRC, to make social insurance contributions (which include contributions to various funds in the PRC, such as pension insurance, medical insurance, unemployment insurance, and occupation injuries) under the relevant PRC laws and regulations. We currently make social insurance contributions, including pension insurance, medical insurance, unemployment insurance, occupational injury insurance and housing provident fund contributions for our employees in compliance with the relevant PRC laws and regulations. Our Group participates in an MPF scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of our Group, in funds under the control of trustees. Our Group contributed 5% of relevant monthly payroll costs to the MPF scheme, whose contribution is matched by employees and subject to a cap of HK\$1,250 from June 2012 to May 2014 and HK\$1,500 thereafter per employee. During the three years ended March 31, 2016 and the three months ended June 30, 2016, the total expenses recognized in the consolidated statement of profit or loss and other comprehensive

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income amounted to approximately HK\$144,000, HK\$206,000, HK\$197,000 and HK\$49,000, respectively, which represents contributions payable to the scheme by our Group at rates specified in the rules of the MPF scheme.

According to the laws and regulations of the PRC, an enterprise established in the PRC is also required to make contributions to a government-administered housing provident fund for its employees. During the Track Record Period, we have not fully paid the required amounts of housing provident funds for our employees in the PRC before April 2016 pursuant to the Regulations on the Administration of Housing Provident Fund. We opened accounts and commenced to make contributions to the housing provident fund for our employees since April 2016 in compliance with the relevant PRC laws and regulations. For further details, please refer to the paragraphs headed “Legal Proceedings and Legal Compliance” of this section. As advised by our PRC Legal Advisers, other than as disclosed in this prospectus, we have complied with all the relevant labor laws and social welfare laws and regulations in the PRC in all material respects.

We have not set up any trade union for our employees. We have not had any strikes or other material labor disturbances that have materially interfered with our operations during the Track Record Period and thereafter up to the Latest Practicable Date. Our Directors believe that we have maintained a good working relationship with our employees.

OCCUPATIONAL HEALTH AND SAFETY

We are committed to providing a working environment that prioritizes the occupational health and safety of our employees. Pursuant to applicable PRC laws and regulations including the Law of the PRC on Safe Production (《中華人民共和國安全生產法》) and the Regulations on Work Safety Permits (《安全生產許可證條例》), we have implemented various health and safety measures, such as:

- compiling health and safety management manuals;
- establishing standard procedures and guidelines for the operation of machineries;
- making arrangements for ensuring health and safety in the use and handling of dangerous goods, equipment and machineries;
- establishing contingency plans in cases of emergency; and
- providing other information, instructions, training and supervision as necessary.

As set out above, we currently have various safety management and operational guidelines in place, including, among other things, in connection with the following:

- (i) warehouse and storage management — specifying measures such as prohibition of smoking and storage of flammables in warehouse area;
- (ii) handling of dangerous goods — setting out, for example, proper procedures for transportation of dangerous goods; and
- (iii) operation of equipment and machineries — specifying various safety measures, such as ensuring that power is cut off before checking and cleaning the machinery.

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We have appointed two licensed safety officers to be responsible for work safety matters in our Shunde factory pursuant to PRC laws and regulations. Our licensed safety officers are responsible for formulating our work safety guidelines, including determining appropriate clothing and equipment, installation of safety devices and working procedures about the use of equipment. Our work supervisors are responsible for monitoring adherence to the safety guidelines. Further, in order to make sure our new employees for manufacturing are familiar with and comply with our work safety guidelines, our work supervisors will arrange and senior technicians will provide apprentices with on-the-job training, which is usually on a one-on-one basis. In order to enhance the work safety awareness of our current employees during the manufacturing process or to update them with new work safety guidelines, spot checks by our licensed safety officers and on-going training will also be carried out.

All incidents of work injury are reported to our licensed safety officers for record and review. Our licensed safety officers and work supervisors will participate in investigations into incidents of work injury and provide suggestions for handling such incidents.

During the Track Record Period and up to the Latest Practicable Date, we had one incident of work injury which has been fully settled. Further, as of the Latest Practicable Date, there is no outstanding or pending claim of work injury from our employees. As such, our Directors consider that our Group did not have any material accident during the Track Record Period.

ENVIRONMENTAL PROTECTION

Our operations at the Shunde factory conducted by Norry Tech are governed by PRC environmental laws and regulations including the Environment Protection Law of the PRC. These laws and regulations cover a broad range of environmental matters, including air pollution, noise emissions, discharge of sewage and waste residues. We consider the protection of the environment to be important and have incorporated environmental protection measures in our operations including installing environmental protection facilities and procedures in place to treat and dispose of all of our waste in accordance with national and local environmental laws and regulations, as well as engaging qualified waste disposal companies to dispose of our used or waste materials.

We are committed to complying with the applicable environmental protection laws and regulations. We also actively participate in and fully cooperate with the environmental assessment process. We believe that our production process does not have a significant adverse effect on the environment and that our environmental protection measures are adequate to ensure compliance with all applicable current local and national PRC regulations.

Our costs of compliance with the applicable environmental rules and regulations were approximately HK\$130,000, HK\$22,500, HK\$157,000 and nil for the three years ended March 31, 2016 and the three months ended June 30, 2016. We incurred additional costs for the year ended March 31, 2014 when we performed, in compliance with governmental requirements, a major review of our environmental protection measures of our manufacturing facilities. For the year ended March 31, 2016, during which we relocated our manufacturing facilities to our new factory, the increase in related expenses was primarily attributable to the environmental protection measures which we were required to install at our new premises, as well as the fact that the overall area of our new factory is greater than that of our old factory. Given that the new manufacturing facilities to be set up with proceeds from the Public Offer requires a major review of our environmental protection measures at the initial stage of

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setting up the new manufacturing facilities, after taking into account the fee quotations obtained by the Group, the expected cost of compliance with applicable environmental rules and regulations will be approximately HK\$325,000 per year for both our Shunde factory and the new manufacturing facilities.

As of the Latest Practicable Date, no administrative sanctions, penalties or punishments have been imposed upon us for the violation of any environmental laws or regulations.

INTERNAL CONTROLS AND RISK MANAGEMENT

It is responsibility of our Board of Directors to ensure that our Company maintains sound and effective internal controls to safeguard our Shareholders' investment and our Group's assets at all times. We have adopted or expect to adopt immediately after the Listing a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

Code of conduct. Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior.

Internal audit. Our internal audit team regularly monitors key controls and procedures in order to assure our management and our Board of Directors that the internal control system is functioning as intended. The audit and compliance committee of our Board of Directors is responsible for supervising our internal audit function.

Compliance with Listing Rules. Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions and securities transactions by our Directors.

Enhanced internal control procedures to prevent the recurrence of non-compliance incidents. We also adopted a number of enhanced internal control procedures to prevent the recurrence of non-compliance incidents relating to the late filing of tax returns and the non-payment of housing provident funds. For details, please refer to the paragraphs headed "Our Business — Legal Proceedings and Legal Compliance" in this prospectus.

Compliance with the Competition Ordinance. Our management team and staff will actively seek advice from our external advisers to ensure compliance with the provisions of the Competition Ordinance, and also clarify potential liabilities, if and as required. Appropriate training sessions from our legal advisers will also be organized for our management team and our employees to enhance their awareness of the effect and consequences of breaching the Competition Ordinance, and to prevent and discourage any activities or conduct that would prevent, restrict or distort competition in Hong Kong. Our Directors believe that these policies and procedures could effectively ensure that we are in compliance with the relevant provisions of the Competition Ordinance.

Compliance with transfer pricing rules. We have implemented policies to ensure that our intragroup sales are compliant with relevant transfer pricing laws and regulations, and will also regularly engage external tax advisers to advise on the Group's tax position, as well as the level of pricing of intragroup sales and any potential risks.

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We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. Each of our operating departments is responsible for identifying and analyzing risks associated with its function, maintaining a comprehensive risk register, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting the status of risk management. Our audit personnel, the audit and compliance committee of our Board of Directors, and ultimately our Board of Directors supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, such as quality control, research and development and sales, to collaborate on risk issues among different functions. For details about the qualifications and experiences of the members of the audit and compliance committee in our Board of Directors and our Board of Directors, see the section headed “Directors and Senior Management” in this prospectus.

Our Directors are of the view that our current internal control measures are adequate and effective.

INFORMATION TECHNOLOGY

We currently have an information technology policy in place, which contains various information technology safety measures. For information security risk management, we have adopted various safety measures including firewalls and data encryption, to enhance our information safety prevention and management and ensure the maintenance of continuously safe information systems. In order to reduce risk arising from potential system, software or hardware failures, there are also contingency plans in place to back up data for our operating systems and relevant procedures for hard disk data recovery in case of failure or loss of the backed-up data. There are also contingency plans in place to prevent the intrusion of our information systems and networks by network viruses. We believe information technology infrastructure and information systems are essential for the effective management and successful development of our businesses. In order to adapt to changing requirements of corporate governance, we will continue to optimize and upgrade our information technology infrastructure and the functionality of our current systems.

OUR BUSINESS

PROPERTY

We do not own any real property as of the Latest Practicable Date. The following table sets out material details of the property leased by us for our manufacturing facilities as of the Latest Practicable Date:

Address	Usage	Approximate gross floor area	Term	Monthly rent
The 3rd Parcel 31 Wusha Part Shunfan Road Wusha, Daliang Shunde District, Foshan City Guangdong Province, PRC	Factory	9,298 sq.m. consisting of 5,972 sq.m. of factory area, 2,826 sq.m. of office space and 500 sq.m. of vacant land	From October, 1 2015 to September 30, 2027 for the factory area	From October 1, 2015 to September 30, 2018: RMB146,490
			From October 1, 2015 to September 30, 2020 for the vacant land	From October 1, 2018 to September 30, 2021: RMB161,139
				From October 1, 2021 to September 30, 2024: RMB177,253
				From October 1, 2024 to September 30, 2027: RMB194,978

On August 18, 2015, Norry Tech as tenant, entered into a tenancy agreement with the lessor which is an independent third party for our Shunde factory. The tenancy agreement has been registered with the relevant authorities in the PRC. As advised by our PRC Legal Advisers, the lessor has valid title to the premise, and the tenancy agreement is legal, valid and enforceable.

We also lease premises in the PRC for employee housing purposes, as well as an office and a warehouse in Hong Kong from independent third parties and an industrial warehouse from our connected person. For further details, please refer to the paragraphs headed “Connected Transactions — Lease Agreement in respect of a premises in Hong Kong” in this prospectus.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance Notice (Exemption of Companies and Prospectuses from Compliance with Provisions), this prospectus is exempted from compliance with the requirements of Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in lands or buildings, because as of June 30, 2016, the carrying amount of our property interest was less than 15% of our consolidated total assets.

OUR BUSINESS

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we held 16 patents for two DTH rockdrilling tool manufacturing technologies. As of the same date, we have registered one trademark in various jurisdictions. We have not granted, except within our Group, and do not intend to grant any licenses to other parties for the use of our patents and trademarks.

As of the Latest Practicable Date, we were not aware of any infringement by us of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by us. Further, during the Track Record Period, we were not involved in any disputes or proceedings concerning any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material and adverse effect on our business.

For details of these patents and trademarks, please refer to the paragraph headed “B. Further Information About Our Business — 2. Intellectual Property Rights of the Group” under the section headed “Statutory and General Information” in Appendix IV to this prospectus.

INSURANCE

We maintain different types of insurance policies, including business insurance, special risks insurance, public liability insurance, motor vehicles insurance, employee’s compensation insurance and mandatory social security insurance for our PRC employees.

We do not maintain any product liability insurance arising from the provision of products in the PRC. We believe our practice in this regard is consistent with the industry practices in the PRC. To minimize our product liability risk, we have stringent quality control measures in order to avoid or reduce the incidence of product defects. Details of our quality control measures are set out in paragraphs headed “Our Business Model — Manufacturing — Quality Control” in this section. During the Track Record Period, we were not involved in material product liability claims. Please also refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance cover, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial condition.” in this prospectus.

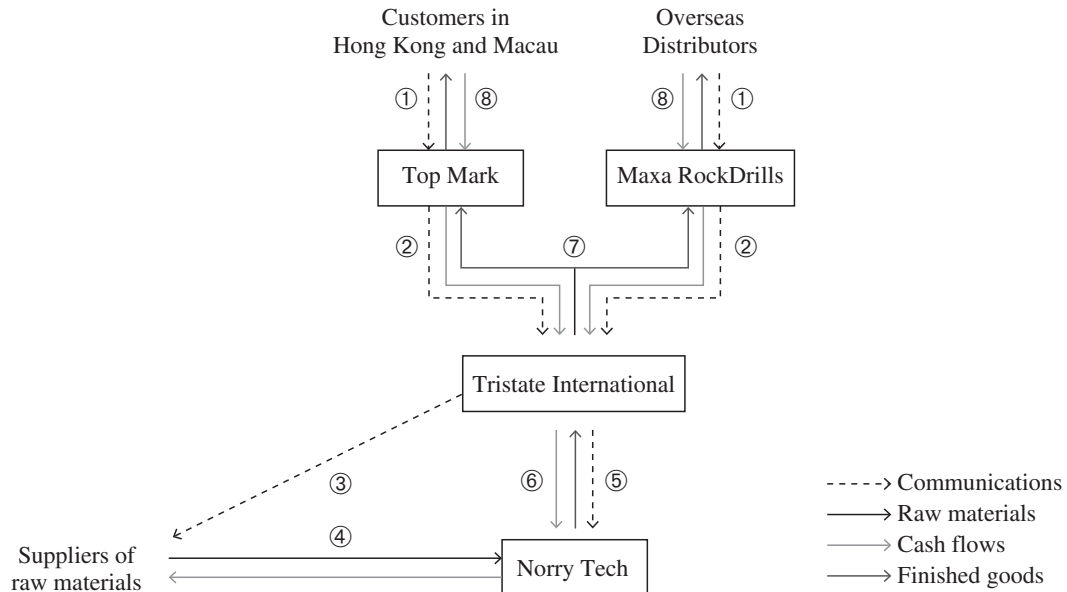
Our Directors believe that our current insurance policies provide sufficient coverage of the risks to which we may be exposed to and is in line with the industry norm.

For the three years ended March 31, 2016 and the three months ended June 30, 2016, the total amounts of premium paid were approximately HK\$0.3 million, HK\$0.4 million, HK\$0.3 million and HK\$0.2 million, respectively. During the Track Record Period and as of the Latest Practicable Date, we had not made and did not make or had not been subject to any material insurance claims and/or product liability claims.

OUR BUSINESS

INTRAGROUP SALES

During the Track Record Period, we conducted our operations mainly in Hong Kong and the PRC and had transactions with customers and suppliers in different countries. A diagram detailing our business model from sales and marketing efforts with our customers to the business and logistics flow of raw materials and finished goods and business arrangements within our Group in relation to our self-designed and manufactured DTH rockdrilling tools during the Track Record Period is set out below:



1. Receive orders from customers/overseas distributors
2. Top Mark/Maxa RockDrills provide orders for products to Tristate International
3. Tristate International sends purchase orders for raw materials to suppliers
4. Norry Tech receives raw materials and settles invoices
5. Tristate International provides production orders to Norry Tech
6. Norry Tech produces finished goods and sells these to Tristate International. Tristate International purchases the finished goods from Norry Tech and settles related invoices
7. Tristate International arranges for delivery of products to Top Mark and Maxa RockDrills in Hong Kong. Top Mark/Maxa RockDrills then delivers the finished goods to customers/overseas distributors. Top Mark or Maxa RockDrills purchases finished goods from Tristate International and settles related invoices
8. Customers/overseas distributors settle invoices with Top Mark/Maxa RockDrills

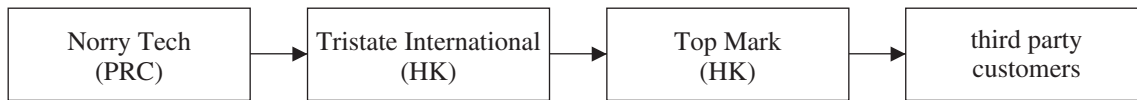
Our sales and marketing team discuss with our customers or our overseas distributors on the type of the DTH rockdrilling tools required, including number, size and dimension and other sales terms such as delivery timetable. Where our customers require tailor made rockdrilling tools, equipment and techniques, we work together with the customer to agree on a technical solution on how to execute such projects. Upon the customer's acceptance of our proposal and fee quote, we will sign a sales contract with our customers specifying, among other things, the products, price, quantity and delivery time. Our procurement team will discuss with our suppliers on the types and quantity of raw materials we require from them. Our procurement team purchases raw materials from our suppliers based on our pipeline of orders from our customers as well as our inventory levels. The raw materials which we purchase from our suppliers are delivered directly to our Shunde factory. We generally deliver finished products to our customers in Hong Kong and Macau on a CIF Hong Kong basis, and to overseas customers on a FOB

OUR BUSINESS

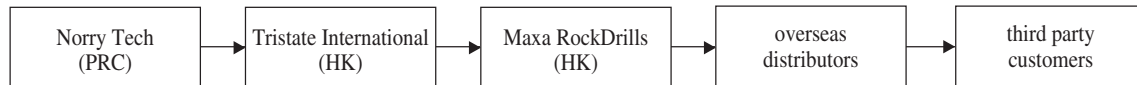
basis, except certain occasions upon the customers' request regarding the delivery arrangement. Top Mark or Maxa RockDrills will issue invoices to our customers and receive payment from our customers. Mainly, Norry Tech will settle invoices from our suppliers and our subcontractors.

During the Track Record Period, we primarily conducted our sales activities with customers based in Hong Kong and Macau through Top Mark, and with our overseas distributors through Maxa RockDrills. We conduct our manufacturing processes through our subsidiaries, Norry Tech and Tristate International, each of which is responsible for certain elements of the manufacturing process. Our trading businesses are conducted primarily through Top Glory. Upon receipt of orders from our customers or our overseas distributors, Top Mark or Maxa RockDrills will coordinate with Tristate International and Norry Tech, and/or Top Glory, to procure the appropriate products for the customer.

The following chart illustrates the flow of finished goods to a customer based in Hong Kong or Macau:



The following chart illustrates the flow of finished goods to an overseas distributor for their onsale to an overseas customer:



At the time of establishment of the Group's manufacturing business, for the reasons as set out below, it was proposed that the Group would operate its manufacturing business through the two entities Tristate International and Norry Tech. Tristate International, in conjunction with Norry Tech, comprise the manufacturing arm of the Group's business. Since their respective incorporation or establishment (as the case may be), the Group has intentionally split up and assigned different functions of the manufacturing business between the two entities, as further described below. We believe this division of responsibilities serves as an integral part of the Group's risk management and quality control processes. The Group's management, which is based primarily in Hong Kong, believes that by entrusting the administrative and coordination role of the manufacturing process to a Hong Kong entity (i.e. Tristate International), the Group would retain better control over its manufacturing arm, the facilities of which are based in the PRC, and at the same time be more responsive to the needs of the marketing arm of the Group based in Hong Kong and headed by Top Mark and Maxa RockDrills. The management of the Group also believes that such division of responsibilities has the added benefit of preventing any particular employee from gaining insight into the Group's overall business operations.

Norry Tech, which operates our Shunde factory, oversees the implementation of the manufacturing processes and the manufacture of our DTH rockdrilling tools. During the Track Record Period, Norry Tech sold and going forward expects to sell DTH rockdrilling tools which it produced, and will produce, to Tristate International, at prices which we believe reflect its input to the manufacturing process.

Tristate International is primarily engaged in the management, oversight, administration and coordination of our manufacturing process, including managing orders from Top Mark and Maxa RockDrills, coordinating the production schedules at our Shunde factory, ordering raw materials

OUR BUSINESS

including alloy steel and tungsten carbide and directing Norry Tech to execute relevant sales and purchase agreements, monitoring the inventory level of Norry Tech, managing the export schedule of the products from our Shunde factory in the PRC to Hong Kong and attending to all related administrative and compliance issues. During the Track Record Period, Tristate International purchased and going forward expects to purchase all DTH rockdrilling tools which Norry Tech produced, and will produce. Tristate International then onells all such DTH rockdrilling tools to Top Mark and Maxa RockDrills in Hong Kong, at prices which we believe reflects its input to the manufacturing and export process of such products.

The prices which Norry Tech charges Tristate International, and which Tristate International charges Top Mark/Maxa RockDrills, are determined on an arm's length basis on a cost plus basis, reflecting their respective contributions to the manufacturing process. The margins earned depends on the product being sold. During the Track Record Period, the average gross profit margin of Norry Tech was approximately 10%, while the average gross profit margin of Tristate International was approximately 20%. Tristate International charges a higher gross profit margin reflects its role as the administrator and coordinator of the manufacturing process while Norry Tech's gross profit margin reflects its role for executing the production orders as determined and instructed by Tristate International. During the same period, Top Mark and Maxa RockDrills sold our self manufactured products at an average gross profit margin of approximately 30%, which is comparable to the average gross profit margin earned from our trading of rockdrilling equipment sourced from our external suppliers which was approximately 30%.

The Company's tax adviser has performed a transfer pricing study to assess if the arm's length principle is observed in respect of the sales from Norry Tech to Tristate International and the sales from Tristate International to other Group companies during the Track Record Period. The Company's tax adviser applied the Transactional Net Margin method, and the Operating Margin (gross profit less administrative expenses and selling expenses, divided by revenue) and Berry Ratio (gross profit divided by operational expenses) were selected by the Company's tax adviser as the appropriate profit level indicators for Norry Tech and Tristate International respectively. The profit level indicators were chosen taking into consideration the functions and risks of the companies involved, with the Operating Margin being deemed appropriate for Norry Tech taking into consideration the sales and purchases involved, while the Berry Ratio, which is used to test the profits of distributors or service providers that do not own or use any intangible assets, was considered a more appropriate indicator for Tristate International. The Company's tax adviser considered both the weighted average of Operating Margin of Norry Tech (2.78%) and the weighted average of Berry Ratio of Tristate International (2.25), that both were comparable to those of the industry peers engaged in similar business, and also the functions and risks of the companies involved, and concluded that the profits earned by Norry Tech and Tristate International are arm's length and the chance of the Hong Kong or the PRC tax authorities imposing transfer pricing adjustments is low.

The Directors were also advised by the Company's tax adviser that the intragroup transactions between Norry Tech and Tristate International, and also between Tristate International and the other Group companies were conducted on an arm's length basis and in full compliance with the applicable rules and regulations, including the transfer pricing rules in the PRC and the transfer pricing guidelines issued by the Hong Kong Inland Revenue Department.

OUR BUSINESS

For the three years ended March 31, 2016, the profit for Norry Tech was approximately HK\$0.4 million, HK\$1.2 million and HK\$3.9 million, respectively, and the loss for Norry Tech for the three months ended June 30, 2016 was approximately HK\$1.7 million, and the profit for Tristate International was approximately HK\$12.1 million, HK\$9.3 million, HK\$12.7 million and HK\$2.7 million, respectively. The loss incurred by Norry Tech for the three months ended June 30, 2016 was affected by expenses of approximately HK\$1.7 million arising as a result of the relocation to our new factory, including one-off impairment provisions on stocks upon the relocation, one-off expenses for purchases of office supplies for the new factory, increases in staff overtime paid and direct labor salaries also due to the relocation.

Norry Tech did not pay dividends during the Track Record Period. Tristate International declared dividends of HK\$9.0 million, HK\$12.0 million, nil and nil, respectively, for the three years ended March 31, 2016 and the three months ended June 30, 2016, including HK\$4.5 million, HK\$6.0 million, nil and nil, respectively, to our Group, and HK\$4.5 million, HK\$6.0 million, nil and nil, respectively, to non-controlling shareholders, being Mr. Gary Chan, for the same periods. In July 2016 with reference to the retained profits as of March 31, 2016, Tristate International declared dividends of HK\$12.0 million, including HK\$6.1 million to our Group and HK\$5.9 million to non-controlling shareholders, being Mr. Gary Chan.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which could have a material adverse effect on our operations or financial condition.

With the support of the advice of the PRC Legal Advisers, our Directors confirm that, save as disclosed in the paragraphs below, our Group had conducted our operations and carried out our business in material compliance with the relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

In relation to the Competition Ordinance, we obtained an opinion from counsel to the Company and barrister-at-law, Mr. Henry H.G. Cheng, as to its applicability with respect to our Group's business operations.

Mr. Henry H.G. Cheng, having considered the provisions of the Competition Ordinance, has opined that our Group has not been or is not engaging in conduct which prevents, restricts or distorts competition in Hong Kong, or is contravention of the First Conduct Rule or Second Conduct Rule:

(1) First Conduct Rule

The First Conduct Rule prevents an undertaking from, among other things, making or giving an effect to an agreement, or engaging in a concerted practice which would have the object or effect of preventing, restricting or distorting competition in Hong Kong. The First Conduct Rule applies to contractual conduct but a contract is not a prerequisite. The rule may also apply where cooperation is non-binding or not legally enforceable. In addition, the First Conduct Rule applies to both horizontal agreements and vertical agreements.

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Given that our Group is not involved in any trade associations with its competitors, and does not have any agreement, or any other form of understanding with its competitors in relation to the market of DTH rockdrilling tools, piling and drilling machinery and rockdrilling equipment; and our Group also does not engage in any information exchange with its competitors in relation to: (i) prices, discounts, rebates, surcharges, credit or conditions of supply; (ii) sales volumes or market shares; (iii) capacity or production levels; (iv) stock inventory levels; or (v) its customers, Mr. Henry H.G. Cheng has concluded that the Group has not been and is not engaging in any horizontal agreement with its competitors to harm competition in Hong Kong.

As for vertical agreements, given that: (i) the Group has not set any suggested/recommended resale prices for its distributors; (ii) there are no obligations imposed on the Group's distributors as to the retail prices of the products; and (iii) since the Group's distributors are all solely for overseas markets, Mr. Henry H.G. Cheng has also opined that the Group is not engaged in any vertical agreement with its distributors to harm competition in Hong Kong, and in any event, the arrangements or agreements between the Group and its distributors should fall outside of the ambit of the Competition Ordinance, which governs conduct that prevents, restricts or distorts competition in Hong Kong.

As for the Group's own suppliers, in relation to the two exclusive distributor agreements, the terms of the agreements do not prescribe or suggest any retail prices of the products. This is also the case for all other suppliers of the Group. Therefore, the Group should also not be engaged in any vertical agreement with its suppliers to harm competition in Hong Kong. Further, in relation to the exclusive distributor agreements between the Group and the two external machinery suppliers, since both the machinery suppliers are new to the Hong Kong market, and other than through their respective distribution agreements with the Group had not previously sold their products in Hong Kong, and did not, have significant market shares in the Hong Kong market. Accordingly, Mr. Henry H.G. Cheng has concluded that it is unlikely that the exclusive distribution agreements would have any effect on intra-brand competition. Further, inter-brand competition would likely be encouraged, as opposed to harmed, as new brands would be introduced into the Hong Kong market.

(2) Second Conduct Rule

The Second Conduct Rule prevents an undertaking that has a substantial degree of market power in a market from abusing that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong.

In view of the Company's market share in Hong Kong of approximately 59.2% by revenue in the DTH rockdrilling tools market, Mr. Henry H.G. Cheng has opined that the Group would likely be considered as an undertaking with substantial market power in the market of DTH rockdrilling tools. The issue is therefore whether our Group is abusing that substantial degree of market power (“**Abusive Conduct**”). Examples of Abusive Conduct include: (i) predatory pricing; (ii) tying and bundling; (iii) margin squeezing conduct; (iv) refusals to deal; and (v) exclusive dealing.

Mr. Henry H.G. Cheng is also of the opinion that an increasing average gross profit margin could at most be used to only indicate the market position or operational strength of the Group, and does not in any way indicate anti-competitive conduct or abuse of the Group's market position.

OUR BUSINESS

Predatory Pricing

Given that (i) the Group has confirmed that its prices, discounts and margins are normal for the industry, and that the Group would not discount heavily if circumstances require it, nor sell at a loss to get an important customer's business; and (ii) the Group's sustained profitability over the years tends to show that the Group has not engaged in pricing practices which would have the effect of incurring losses for the purpose of stifling competition, Mr. Henry H.G. Cheng concluded that the Group has not engaged in predatory pricing.

Tying and Bundling, Margin Squeezing Conduct and Refusals to Deal

As to tying and bundling, the Group has confirmed that it does not engage in any such practices. As to margin squeeze, such a situation does not arise, as the Group does not operate (and therefore is not in competition) with the downstream market of the buyers of its products. Further, given that the Group has confirmed that (i) it has never refused to supply a customer with DTH rockdrilling tools, pilling and drilling machinery and rockdrilling equipment; (ii) it has also never turned down any applications to become a distributor of its products; and (iii) since the Group does not compete in the downstream market with its buyers, Mr. Henry H.G. Cheng has opined that it is unlikely that the Group would be considered to have engaged in conduct amounting to "refusals to deal".

Exclusive Dealing

Likewise, the Group has confirmed that its customers do not tend to buy only the Group's product line, there are no fidelity rebates or discounts offered to its customers, and that there are no exclusive purchasing obligations imposed on its customers. As to the Group's distributors, since all of the Group's distributors are solely for overseas markets, even though the distributor agreements provide for distribution on an exclusive basis, these agreements would not fall within the ambit of the Competition Ordinance. In any event, the Group is new to the overseas markets, and does not have a significant market share in those markets. The Group therefore offers more competitive and favorable pricing to incentivize the promotion of the Group's brand in those markets. The exclusivity of the distributor agreements would not harm the competition of DTH rockdrilling tools in those markets, but rather encourage competition with the introduction of a new brand.

As to the Group's suppliers, the Group purchases raw materials from various suppliers and has also entered into exclusive distribution agreements with two machinery suppliers. Given that (i) as far as the suppliers of raw materials are concerned, there are no exclusive supply obligations imposed on the raw material suppliers of the Group; and (ii) the products of these two machinery suppliers with which the Group has entered into exclusive distributor agreements are new to the Hong Kong market, Mr. Henry H.G. Cheng has opined that it is unlikely that the exclusive distributor agreements would have any anti-competitive effect on the Hong Kong market, but rather, would encourage competition with the introduction of new competition into the Hong Kong market.

OUR BUSINESS

Accordingly, insofar as the Group's customers, distributors and suppliers are concerned, Mr. Henry H.G. Cheng has concluded that the Group is unlikely to have engaged in any exclusive dealing which has the object or effect of harming competition and is of the opinion that the Group has not been and is not engaging in any conduct in contravention of the Second Conduct Rule.

For further details regarding the Competition Ordinance and our related internal controls measures, please refer to the sections headed "Laws and Regulations" and "Our Business — Internal Controls and Risk Management" in this prospectus.

Our Directors confirm that, save as disclosed in the paragraphs below, our Group had conducted our operations and carried out our business in material compliance with the relevant laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Our Directors were aware of the occurrence of the following non-compliance in relation to the operation of our Group during the Track Record Period, details of which are set forth below:

Non-compliance incident	Legal consequences	Rectification actions taken and status	Internal control measures to prevent future breach and ensure ongoing compliance
<p>Failure by Top Mark and Tristate International to submit the tax return for the 2012/2013, 2013/2014 and 2014/2015 years of assessment within the respective deadlines imposed by the Inland Revenue Department, the omissions of which were not willful and were due to the inadvertent oversight of the administrative staff member who was responsible for accounting and employee records.</p>	<p>Under Section 80(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), each of Top Mark, Tristate International and/or its directors may be subject to:</p> <ul style="list-style-type: none"> ● A fine of up to HK\$10,000, and a further fine of treble the amount of the tax which has been undercharged. ● If no prosecution has been instituted under Section 80(2), then under Section 82A, additional tax may also be assessed by the Commissioner of the Inland Revenue Department, the maximum penalty of which is treble the amount of tax undercharged. 	<p>The relevant tax returns were subsequently filed.</p> <p>Top Mark received notices of assessment under Section 82(4) for the 2012/2013 and 2014/2015 years of assessment regarding the payment of additional tax by way of penalty, and such amounts of HK\$55,000 and HK\$200,000, respectively, have been duly settled.</p> <p>As advised by the counsel to our Company and barrister-at-law in Hong Kong, Mr. Henry H.G. Cheng, taking into consideration various factors, including that we have paid additional taxation, there should be no to low risk of criminal prosecution. Accordingly, our Directors are of the view that the non-compliances in connection with the failure to submit tax returns within the deadline imposed will not have a material operational and financial impact on our Group.</p>	<p>To avoid the reoccurrence of tax non-compliances, our Group has employed Mr. Jonathan Edward Chun-chung Chow as the financial controller to handle all accounting matters of our Group since April, 2016.</p> <p>We have also engaged Deloitte Advisory (Hong Kong) Limited to act as our tax representatives after Listing, and they will be responsible for tax filings and compliance with the Inland Revenue Ordinance of the Group. Further, Deloitte Advisory (Hong Kong) Limited has applied for a block extension under the block extension scheme for tax representatives in relation to the lodgment of the Group's tax returns for the 2015/2016 year of assessment.</p> <p>In addition, going forward, we will engage external professional advisers such as consultancy firms and external legal advisers to render professional advice as to compliances with the statutory requirements as applicable to our Group from time to time and when necessary after Listing.</p>

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Non-compliance incident	Legal consequences	Rectification actions taken and status	Internal control measures to prevent future breach and ensure ongoing compliance
<p>According to the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make housing provident fund contributions for our employees in the PRC.</p> <p>During the relevant period, contributions to the housing provident fund were handled by our administrative staff in the PRC, who were not familiar with the relevant requirements. In addition, it is difficult in practice to make contribution to the housing provident fund for employees who are immigrant workers and not willing to participate in the social welfare schemes of the city to which they immigrate temporarily. As such, our administrative staff did not make contribution to the housing provident funds for our employees. For each of the three years ended March 31, 2016, the underpaid housing provident fund contributions amounted to approximately RMB215,000 (equivalent to HK\$275,000), RMB259,000 (equivalent to HK\$287,000) and RMB272,000 (equivalent to HK\$330,000), respectively.</p>	<p>According to the relevant laws and regulations, the relevant government authority may require us to make the underpaid amount within a given period, and, if we fail to do so, it may impose a fine ranging from RMB10,000 to RMB50,000.</p>	<p>We have obtained a confirmation issued on May 17, 2016 by the Housing Provident Fund Administrative Centre of Foshan City* (佛山市住房公積金管理中心), the competent government authority, confirming that Norry Tech had made contributions to the housing provident funds for its employees from April 2016 to May 2016 and up to the date of the confirmation Norry Tech has not been subject to any administrative action or penalty for breach of the relevant housing provident fund laws or regulations.</p> <p>We have made housing provident fund contributions for all of our employees in accordance with the required standards since April 2016. Up to the Latest Practicable Date, we have not received any request for making up the estimated outstanding contribution nor we have been imposed any punishment as a result of such non-payment.</p> <p>We have made provisions for the underpaid housing provident fund contributions of approximately RMB215,000 (equivalent to HK\$275,000), RMB259,000 (equivalent to HK\$287,000) and RMB272,000 (equivalent to HK\$330,000) for the underpaid housing provident fund contributions for each of the three years ended March 31, 2016, respectively.</p> <p>Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us as a result of any non-compliance incident with the relevant housing fund regulations.</p> <p>Our PRC Legal Advisers are of the view that, since we received the above confirmation letter from the competent governmental authority, the likelihood that the relevant authority would impose fines or penalties on us in this regard should be relatively low and the non-compliance relating to such contributions are not material to the business operation of our Company and Norry Tech.</p>	<p>We have established internal control procedures to prevent future breach. On a monthly basis, the head of our human resources department will carry out the following procedures to ensure that we comply with the laws and regulations related to housing provident fund contributions:</p> <ul style="list-style-type: none"> (i) review the staff record and examine whether our Group has made housing provident fund contributions for every staff; (ii) report to our finance department on the number of staff and housing provident fund contribution. Our finance department would check the amount of contributions against the staff list; and (iii) investigate variances with the records kept by our finance department, if any.

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

In order to continuously improve our Group's corporate governance and to prevent recurrence of the abovementioned non-compliances in the future, our Group has adopted the various internal control measures as set out above.

OUR BUSINESS

View of our Directors and the Sole Sponsor

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of our Executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account that (i) our Group has fully rectified all of the non-compliance incidents, if applicable; (ii) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents; (iii) there were no recurring of similar non-compliance incidents since the implementation of such measures; and (iv) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our Executive Directors, and did not raise any question as to the integrity of our Executive Directors.

In view of the above, our Directors believe, and the Sole Sponsor concurs that, the internal control measures are sufficient and effectively ensure a proper internal control system of our Group and prevent the recurrence of non-compliance incidents.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the Company was wholly-owned by Hang Yip, and in turn held as to 80% by Mr. Kenneth Chan and 20% by Mr. Alan Chan. Immediately following the Public Offer, the Company will be held as to approximately 73.7% by Hang Yip, and thus each of Mr. Kenneth Chan, Mr. Alan Chan and Hang Yip will continue to be our Controlling Shareholders upon Listing. For details of our Controlling Shareholders' background, please refer to the sections headed "History, Reorganization and Corporate Structure" and "Directors and Senior Management" in this prospectus.

Each of our Controlling Shareholders confirms that he/it does not hold or conduct any business, other than the business of our Group, which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial Independence

Our finance department is independent from our Controlling Shareholders, and composed of independent finance staff. Its responsibilities include, among others, financial control, accounting, financial reporting, group credit and internal control. None of our finance staff works for our Controlling Shareholders and/or their respective associates. We are capable of making financial decisions independently, and our Controlling Shareholders will not interfere with our use of funds. We have established an independent audit system and a financial and accounting system. In addition, we manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders and/or their respective associates.

In addition, our Group does not rely on the Controlling Shareholders and/or their respective associates for their provision of financial resources. Our Controlling Shareholders have provided certain financial assistance to the Group during the Track Record Period, details of which are contained in Note 29 to the Accountants' Report set out in Appendix I to this prospectus. As of the Latest Practicable Date, we had no outstanding loans and advances due to or from our Controlling Shareholders or their associates and had not provided any outstanding securities, loans or any other forms of financial assistance to our Controlling Shareholders or their respective associates. All guarantees from our Controlling Shareholders for our bank borrowings will be fully released and/or assumed by members of our Group upon Listing. Therefore, our Directors believe that our financial operation is independent from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(ii) Operational Independence

We own or have the right to use all the operational facilities and technologies relating to our business and hold all relevant qualifications, licences and permits. We currently conduct our principal business independently and we have the ability to formulate and implement operational decisions independently. We also communicate with and serve our clients independently. We have sufficient capital, facilities and employees to operate our business independently. Our other employees are independent from, and none of them are remunerated by, our Controlling Shareholders and their respective associates.

We have our own organizational structure and departments with specific authorities independent from our Controlling Shareholders. We also maintain a comprehensive set of internal control procedures for promoting efficient business operation. With reference to relevant laws, regulations and rules, we develop sound corporate governance practice and have adopted our rules of procedure for general meeting, rules of procedure for board meeting, rules of procedure for supervisory committee meeting and connected transactions rules. There is no competing business between our Controlling Shareholders and our Group and our Controlling Shareholders have entered into a deed of non-competition in favor of Company. Please refer to the paragraphs headed “Relationship with Our Controlling Shareholders — Deed of Non-competition” in this prospectus for more details.

Save as disclosed in this section, the section headed “Connected Transactions” in this prospectus and in the Accountants’ Report in Appendix I to this prospectus, there were no significant business transactions between our Group and our Controlling Shareholders or their associates during the Track Record Period.

(iii) Management Independence

Our Board consists of seven Directors, of whom four are Executive Directors and three are Independent Non-executive Directors. Please refer to the section headed “Directors and Senior Management” in this prospectus for details. Mr. Kenneth Chan and Mr. Alan Chan are our Executive Directors and are our Controlling Shareholders. Mr. Eric Chan, brother of Mr. Kenneth Chan and Mr. Alan Chan, and Ms. Ning Liang, wife of Mr. Kenneth Chan and sister-in-law of Mr. Alan Chan, are Executive Directors in charge of management of sales and marketing operations of our Group and management of the operations of our Shunde factory respectively, whereas Ms. Yuen Ming Chan, sister of Mr. Kenneth Chan and Mr. Alan Chan, is a member of our senior management and is the factory control manager responsible for the administration and coordination of the manufacturing process of our Group.

We consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (i) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) the three Independent Non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of the Board are made only after due consideration of independent and impartial opinions;
- (iii) 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 associates (“**Conflicting Transaction**”), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum. The interested Director(s) shall not attend any independent board committee meetings comprising our Independent Non-executive Directors only. In the event that there is a Conflicting Transaction which shall be submitted to our Independent Non-executive Directors for their consideration and approval, they shall have extensive experience and knowledge to oversee such a Conflicting Transaction from different aspects;
- (iv) our Company has also established internal control mechanism to identify related party transactions and/or connected transactions that are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement and independent Shareholders’ approval (where appropriate);
- (v) in order to allow the non-conflicting members of the Board to function properly with the necessary professional advice, our Company will engage a third party professional adviser to advise the Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between our Group and our Directors or their respective associates;
- (vi) our Controlling Shareholders undertake to provide all information requested by the Group which is necessary for the annual review by the Independent Non-executive Directors and the enforcement of the Deed of Non-competition; and
- (vii) our Independent Non-executive Directors will, based on the information available to them, review on annual basis (i) 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, and to disclose all decisions on the matters pertaining to the annual review either through the annual report, or by way of announcement to the public.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and manage the business of the Group independently from our Controlling Shareholders after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into a deed of non-competition in favor of our Company and our subsidiaries, pursuant to which our Controlling Shareholders have, jointly and severally, irrevocably and unconditionally undertaken and covenanted with us that, during the Non-Compete Period:

- they shall not, and shall procure that their respective associates (other than any members of the Group) (whether individually or taken together) shall not whether as principal or agent or in conjunction with or on behalf of any person, firm or company and whether undertaken directly or indirectly (including through any associate, subsidiary, partnership, joint venture or other contractual arrangement of theirs) and whether for profit or otherwise, among other things, carry on, engage, invest, participate or otherwise be interested in or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) in any Restricted Business; and neither will our Controlling Shareholders engage in any act that will impair the interests of the Company and/or any member of the Group by making use of their capacity as Controlling Shareholders of the Company and Directors (as applicable); and
- they shall not, and shall cause their respective associates (other than any members of the Group) not to directly or indirectly invest in any company or enterprise carrying out any Restricted Business, whether within or outside Hong Kong, in any manner (including but not limited to joint operation, equity joint venture, cooperative joint venture, partnership, ownership of interest or as borrower or lender), or hold any direct or indirect interest in such company or enterprise in whatever manner.

The Deed of Non-competition also provides that the Controlling Shareholders have, jointly and severally, irrevocably and unconditionally undertaken to the Company (for itself and as trustee for the benefit of each of the members of the Group) that, if any business opportunity relating to any Restricted Business (including, without limitation, any business opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business) (“**Business Opportunity**”) is made available to him/ it or any of his/its associates, he/it shall and shall procure that his/its associates (excluding the Group) shall refer such Business Opportunity to the Group in the following manner:

- he/it shall and shall procure that his/its associates (excluding the Group) shall give written notice to the Company of such Business Opportunity identifying the nature of the Business Opportunity, the investment or acquisition costs and other details reasonably necessary for the Company to consider whether such Business Opportunity constitute competition with the Group’s business and whether it is in the interest of the Group to pursue such Business Opportunity;
- the Company shall inform the Directors (including the Independent Non-executive Directors) and members of the senior management team of the Company of such Business Opportunity in writing immediately upon receiving a written notice of such Business Opportunity and the Executive Directors together with other senior management members of the Company will, within ten Business Days of being informed of such Business Opportunity, present a written memorandum setting out an analysis of such Business Opportunity and their recommendation

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and proposals in respect of such Business Opportunity to an independent board committee of the Company, comprising only of the Independent Non-executive Directors who do not have a material interest in such Business Opportunity;

- the independent board committee of the Company shall convene a meeting to consider such Business Opportunity and the recommendations and proposals presented by the Executive Directors together with other senior management members of the Company and to decide whether it is in the interest of the Company and the Shareholders as a whole to pursue or decline such Business Opportunity;
- if appropriate, the Independent Non-executive Directors may appoint independent financial advisers at the expense of the Company to assist in the decision-making process in relation to such Business Opportunity;
- the Company shall notify in writing the relevant Controlling Shareholder(s), within 30 Business Days of receiving a written notice of such Business Opportunity (or such further period of time as would be reasonably necessary for the independent board committee of the Company to consider the Business Opportunity, as referred to below), of any decision taken to pursue or decline such Business Opportunity (in the event the independent board committee of the Company requires a further period of time to consider the Business Opportunity, the Company and the relevant Controlling Shareholder(s) will permit such independent board committee to consider the Business Opportunity for such further period of time as would be reasonably necessary in the circumstances); and
- the relevant Controlling Shareholder(s) shall be entitled to pursue such Business Opportunity if (i) he/it has received a notice from the Company declining such Business Opportunity or (ii) he/it has not received any notice or request for more time from the Company within 30 Business Days from the date on which the Company received the written notice of such Business Opportunity given by the relevant Controlling Shareholder(s) (or, within such further period of time as referred to above).

The Deed of Non-competition shall not restrict the holding of our Shares listed on the Stock Exchange by our Controlling Shareholders or companies or entities controlled by them.

CORPORATE GOVERNANCE

Our Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Code”) and will comply with the code provisions in the Code. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Company is also required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, which provides, among other matters, prohibitions on directors’ dealings in securities and protection of minority shareholders’ rights.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority shareholders' rights after the Listing.

Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive directors so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Independent Non-executive Directors, details of whom are set out in the section headed "Directors and Senior Management" in this prospectus, individually and together possess the requisite knowledge and experience to be a member of our Board. All of our Independent Non-executive Directors are experienced and will provide impartial and professional advice to protect the interest of our minority Shareholders.

CONFIRMATION

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors, and their respective associates had any interest in any business, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial Shareholders and chief executive officer or those of our subsidiaries, any person who was our Directors or a director of our subsidiaries within 12 months pending the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Lease Agreement in respect of a premises in Hong Kong

Top Champion Industries Limited is a company incorporated in Hong Kong with limited liability on July 16, 1999. It is owned as to 95% by Mr. Kenneth Chan and 5% by Mr. Alan Chan and therefore is an associate of a connected person of our Company by virtue of Rule 14A.12(1)(c) of the Listing Rules.

On December 1, 2015, Top Champion Industries Limited entered into a lease agreement with Top Mark (the “**Lease Agreement**”), pursuant to which Top Champion Industries Limited as lessor agreed to lease to Top Mark as lessee the premises situated at Unit 9, 15/F, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong (the “**Chai Wan Premises**”) for use as our industrial warehouse in Hong Kong for a term commencing from December 1, 2015 to November 30, 2017 at an agreed monthly rental of HK\$21,900 (excluding government rates, utilities, management fees and other outgoings).

Our rental expenses (excluding government rates, utilities, management fees and other outgoings) in relation to the leasing of the Chai Wan Premises for the three years ended March 31, 2016 and the three months ended June 30, 2016 were nil, nil, HK\$87,600 and HK\$65,700, respectively.

The rental amount payable by Top Mark under the Lease Agreement was determined with reference to the prevailing market rent at that time for similar premises. Our Directors (including our Independent Non-executive Directors) consider that it is in the interests of our Company and Shareholders as a whole to enter into the Lease Agreement.

Since each of the applicable percentage ratios (other than the profit ratio) for the Lease Agreement is expected to be less than 0.1% on an annual basis and the transaction is on normal commercial terms, the transaction is fully exempt from the reporting, annual review, announcement, circular, and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Sales of DTH rockdrilling tools to Simon & Sons

Before the Listing, as part of our operations, we sold DTH rockdrilling tools to Simon & Sons Engineering Limited (“**Simon & Sons**”). Simon & Sons is a company incorporated in Hong Kong with limited liability on October 31, 1986. Mr. Gary Chan is deemed to be interested in approximately 72.3% interest in Simon & Sons, a substantial shareholder of our subsidiary Norry Tech and a connected person pursuant to Rule 14A.07(1) of the Listing Rules, and therefore Simon & Sons is an associate of a connected person by virtue of Rule 14A.12(1)(c) of the Listing Rules.

CONNECTED TRANSACTIONS

For the three years ended March 31, 2016 and the three months ended June 30, 2016, the transactions with Simon & Sons in respect of the sales of our DTH rockdrilling tools amounted to approximately HK\$4,363,000, HK\$197,000, HK\$1,870,000 and HK\$58,000, respectively, representing approximately 2.9%, 0.2%, 1.3% and 0.2% of our total revenue for the corresponding period.

After the Listing, we may continue to sell DTH rockdrilling tools to Simon & Sons if they place orders with us. Since the transactions entered into with Simon & Sons during the Track Record Period were on normal commercial terms and negotiated on an arm's length basis, our Directors are of the view that it will be in the interests of our Company and its Shareholders as a whole to continue such transactions with Simon & Sons after the Listing. Should Simon & Sons place orders with us, we will comply with the requisite requirements under Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning our Directors:

Name	Age	Position/Title	Date of Appointment	Date of Joining our Group	Role and Responsibility	Relationship with other Directors and senior management (other than that through or relating to our Group)
<i>Executive Directors</i>						
Mr. Leung Choi Chan (陳傑材)	50	Executive Director, Chairman of the Board and Chief Executive Officer	March 17, 2016 and July 18, 2016, respectively	July 28, 1997	Overseeing the daily operational management and the financial and business performance of our Group, and overall strategy planning and management of our Group's business	Brother of Mr. Alan Chan, Mr. Eric Chan and Ms. Yuen Ming Chan; husband of Ms. Ning Liang
Mr. Kin Choi Chan (陳健材)	43	Executive Director	March 17, 2016	July 28, 1997	Overall management of business operations and management of engineering and technical processes	Brother of Mr. Kenneth Chan, Mr. Eric Chan and Ms. Yuen Ming Chan; brother-in-law of Ms. Ning Liang
Mr. Tat Choi Chan (陳達材)	41	Executive Director	March 17, 2016	August 1, 1999	Management of sales and marketing operations	Brother of Mr. Kenneth Chan, Mr. Alan Chan and Ms. Yuen Ming Chan; brother-in-law of Ms. Ning Liang
Ms. Ning Liang (梁寧)	36	Executive Director	March 17, 2016	September 20, 2007	Management of the operations of our Shunde factory	Wife of Mr. Kenneth Chan; sister-in-law of Mr. Alan Chan, Mr. Eric Chan and Ms. Yuen Ming Chan
<i>Independent Non-executive Directors</i>						
Mr. Lewis Chan (陳令斌)	46	Independent Non-executive Director	December 15, 2016	December 15, 2016	Supervising the management of the Company and providing independent judgment to our Board	N/A
Mr. Chun Fung Lam (藍俊峰)	42	Independent Non-executive Director	December 15, 2016	December 15, 2016	Supervising the management of the Company and providing independent judgment to our Board	N/A
Mr. Lok Man Richard Sung (宋樂文)	34	Independent Non-executive Director	December 15, 2016	December 15, 2016	Supervising the management of the Company and providing independent judgment to our Board	N/A

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth certain information concerning our senior management:

Name	Age	Position/Title	Date of Appointment	Date of Joining our Group	Role and Responsibility	Relationship with other Directors and senior management (other than that through or relating to our Group)
Dr. Alberto Barbera	68	Head of Research and Development and Export Manager	January 4, 2016	November 2, 2015	Overseeing exports, overseas sales and marketing and managing our relationships with our overseas distributors; research and development	N/A
Ms. Yuen Ming Chan (陳宛明)	45	Factory Control Manager	January 15, 2010	January 15, 2010	Administration and coordination of the manufacturing process	Sister of Mr. Kenneth Chan, Mr. Alan Chan and Mr. Eric Chan; sister-in-law of Ms. Ning Liang
Mr. Jonathan Edward Chun-chung Chow (周鎮忠)	33	Chief Financial Officer and Company Secretary	July 18, 2016	April 18, 2016	Overseeing our Group's financial and accounting operations	N/A

DIRECTORS

Our Board currently consists of seven Directors, comprising four Executive Directors and three Independent Non-executive Directors.

Executive Directors

Mr. Leung Choi Chan (陳樑材), aged 50, is our Chairman and was appointed as our Executive Director and our Chief Executive Officer on March 17, 2016 and July 18, 2016, respectively. Mr. Kenneth Chan co-founded our Group in July 1997 and is responsible for overseeing the daily operational management and the financial and business performance of our Group, as well as for the overall strategy planning and management of the Company's business. Mr. Kenneth Chan is involved in all matters of our Group including operational matters, our manufacturing processes, contributing to engineering and technical matters as well as being a key person of our sales and marketing efforts locally and overseas. He is the chairman of our nomination committee and a member of our remuneration committee. Mr. Kenneth Chan is a director of our subsidiaries Hang Wing, Top Mark, Maxa RockDrills, Top Glory, Tristate International and Tristate Hong Kong, and he is also the managing director of Top Mark and the general manager of Norry Tech.

Mr. Kenneth Chan has nearly 27 years of experience in the engineering and DTH rockdrilling tool industry. Prior to founding our Group, Mr. Kenneth Chan joined The Hongkong Electric Co., Ltd. in September 1989 as graduate trainee in the training department and worked as an assistant environmental engineer in the environment section of power plant services department from September 1991 to May 1992. From 1992 to 1993, Mr. Kenneth Chan was an employee of a trading company engaged in sales

DIRECTORS AND SENIOR MANAGEMENT

of building materials. He co-founded a construction equipment trading company based in Hong Kong in June 1994 with an independent third party, which he has ceased to be a shareholder and director of this company since November 1997 and June 1997, respectively.

Mr. Kenneth Chan graduated from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in Hong Kong with a bachelor's degree of engineering in mechanical engineering in November 1989, and obtained his master's degree in business administration from The University of Warwick in the United Kingdom through distance learning in July 1997. He was an associate member of the Institution of Mechanical Engineers in the United Kingdom in April 1991 and was a member of the Institute of Acoustics in the United Kingdom in June 1992.

Mr. Kenneth Chan is the husband of Ms. Ning Liang, our Executive Director, and the brother of Mr. Alan Chan and Mr. Eric Chan, our Executive Directors and Ms. Yuen Ming Chan, our senior management.

Mr. Kin Choi Chan (陳健材), aged 43, was appointed as our Executive Director on March 17, 2016. Mr. Alan Chan co-founded our Group in July 1997, and is responsible for overall management of business operations, and is also in charge of our engineering and technical processes. He also participates actively in our sales and marketing efforts. Mr. Alan Chan is a director of our subsidiaries Hang Wing, Top Mark, Maxa RockDrills, Tristate International and Tristate Hong Kong, and he is also the product director of Top Mark and the vice general manager and a supervisor of Norry Tech.

Mr. Alan Chan has nearly 19 years of experience in the DTH rockdrilling tool industry since co-founding our Group in July 1997. Mr. Alan Chan was awarded a higher diploma in electronic engineering by The Hong Kong Polytechnic University in Hong Kong in November 1994. From 1994 to 1997, Mr. Alan Chan worked for a construction equipment trading company based in Hong Kong.

Mr. Alan Chan is the brother of Mr. Kenneth Chan and Mr. Eric Chan, our Executive Directors, the brother of Ms. Yuen Ming Chan, our senior management, and the brother-in-law of Ms. Ning Liang, our Executive Director.

Mr. Tat Choi Chan (陳達材), aged 41, was appointed as our Executive Director on March 17, 2016. He joined our Group as our sales and marketing manager in August 1999, and is currently responsible for the management of our sales and marketing operations both locally and overseas. Mr. Eric Chan graduated from The Hong Kong Polytechnic University in Hong Kong with a bachelor's degree of science in applied mathematics in December 1999. Since then, he has nearly 17 years of experience in the engineering and DTH rockdrilling tool industry.

Mr. Eric Chan is the brother of Mr. Kenneth Chan and Mr. Alan Chan, our Executive Directors, and the brother of Ms. Yuen Ming Chan, our senior management, and the brother-in-law of Ms. Ning Liang, our Executive Director.

Ms. Ning Liang (梁寧), aged 36, was appointed as our Executive Director on March 17, 2016. She joined our Group as a director of Norry Tech, our subsidiary, in September 2007, and is responsible for management of the operations of our Shunde factory, including overseeing the day-to-day operations of our manufacturing operations, maintenance of our machines at our Shunde factory, as well as being responsible for the overall administrative, legal and compliance work of our Shunde factory and human

DIRECTORS AND SENIOR MANAGEMENT

resources management of our production team at our Shunde factory. Ms. Liang has nearly nine years of experience in the DTH rockdrilling tool industry. Ms. Liang is the executive director and a legal representative of Norry Tech.

Prior to 2007, Ms. Liang was not in active employment and dedicated her time to personal and family matters. Ms. Liang completed her education specializing in law from The Open University of China in the PRC in January 2014.

Ms. Liang is the wife of Mr. Kenneth Chan, our Executive Director and the sister-in-law of Mr. Alan Chan and Mr. Eric Chan, our Executive Directors, and Ms. Yuen Ming Chan, our senior management.

Independent Non-executive Directors

Mr. Lewis Chan (陳令紘) (formerly known as Yeung Chan (陳靄)), aged 46, was appointed as our Independent Non-executive Director on December 15, 2016. He is the chairman of our remuneration committee, and a member of our audit and compliance committee and our nomination committee.

Mr. Chan has over 12 years of experience in asset management and investment. He has been the managing partner at MaunaKai Capital Partners (Hong Kong) Limited since July 2004. He has been an executive director of DT Capital Limited (HK stock code: 00356) since July 7, 2014 and a non-executive director of D&G Technology Holding Company Limited (HK stock code: 01301) since December 15, 2014, both listed on the Stock Exchange.

Mr. Chan is a committee member of the Admissions, Budgets and Allocations Committee of the Community Chest. Mr. Chan received his Doctor of Philosophy in Economics from Harvard University in the United States in June 2000, a master's degree of arts from Harvard University in the United States in March 1999, a master's degree in economics from Columbia University in the United States in May 1996 and a bachelor's degree of arts from The University of Chicago in the United States in June 1994.

Mr. Chun Fung Lam (藍俊峰), aged 42, was appointed as our Independent Non-executive Director on December 15, 2016. He is a member of our audit and compliance committee and our nomination committee.

Mr. Lam has nearly 17 years of experience in business and market development. He served at Chevron Phillips Chemical International Inc. (currently known as Phillips Petroleum International Inc.) as an area sales representative from July 1999 to June 2001 and was transferred to the position of technical service engineer, based in Singapore, for the period from June 2001 to June 2003. He was then relocated back to Hong Kong and promoted to polyethylene market development and technical service engineer in July 2003 and he left the company in July 2004. Mr. Lam has been working at BASF East Asia Regional Headquarters Limited as a senior manager since July 2004.

Mr. Lam graduated from The Chinese University of Hong Kong in Hong Kong with a bachelor's degree of science in December 1999 and his major subject was chemistry. He was awarded as a Certified Professional Mediator by The Institute of Crisis and Risk Management in November 2013. He was also awarded a Certificate of Accredited Professional Mediator, issued jointly by the Vision Education Group and The Institute of Crisis and Risk Management, in November 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lok Man Richard Sung (宋樂文), aged 34, was appointed as our Independent Non-executive Director on December 15, 2016. He is the chairman of our audit and compliance committee and a member of our remuneration committee.

Mr. Sung has nearly 12 years of experience in accounting, auditing and corporate finance. From September 2004 to June 2009, he served in the assurance department of PricewaterhouseCoopers, an audit firm providing audit for potential initial public offerings, multinational corporations and listed companies, where his last position was senior associate. Mr. Sung worked at Shanghai Jianxin Equity Investment Management Limited in 2011. Mr. Sung was a manager in the financial advisory services department at Deloitte & Touche Financial Advisory Services Limited from January 2012 to October 2013, and has been a director of strategy and business development at ESG Hong Kong Limited since November 2013.

Mr. Sung graduated from The Hong Kong University of Science and Technology in Hong Kong with a bachelor's degree in business administration in November 2004, and from the China Europe International Business School in the PRC with a master's degree in business administration in March 2011. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2008 and a Chartered Financial Analyst[®] Charterholder of the CFA Institute since April 2013.

DIRECTORS' INTEREST

We have entered into service contracts with each of our Executive Directors and have issued letters of appointment to each of our Independent Non-executive Directors. Each service contract and letter of appointment with our Director is for a term of three years commencing from the Listing Date and contains an undertaking in favor of our Company that our Director will not engage in or have any interest in businesses, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business.

Save as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, substantial or Controlling Shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. Save as disclosed in this prospectus and their respective interests or short positions (if any) as set out in the section headed "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders" in Appendix IV to this prospectus, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that need to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Dr. Alberto Barbera, aged 68, joined our Group in November 2015 and is responsible for exports, overseas sales and marketing and managing our relationships with our overseas distributors. Dr. Barbera has also been appointed as the head of our research and development team in January 2016.

Dr. Barbera was an engineer registered with Ordine degli Ingegneri della Provincia Di Vercelli (Order of Engineers of Province of Vercelli (*note*)) in Italy in June 1975 and has more than 40 years of experience in the engineering and DTH rockdrilling tool industries. Prior to joining our Group, Dr. Barbera served as a civil engineer and Hong Kong agent for C.C.C. Fondisa S.p.A., a company engaged in work relating to foundation diaphragm walls, site investigation micropiles, piling, chemical grouting and soil anchors, from 1975 to 1979. He worked at Rodio S.p.A. from 1979 to 1986 and served as a technical manager at Brasfond Group from 1986 to 1992, both companies specialized in the field of geotechnical engineering. Dr. Barbera also served as a technical manager at ItalSonda S.p.A., an Italian company engaged in drilling works, which he began working at from December 1992 and left the company in February 1997. He then served as a manager and work task of executive assistant at MAIT S.p.A, an Italian company engaged in offering foundation equipment, from January 1997 to October 2015. Dr. Barbera was also invited by Studio Geotecnico Italiano S.r.l., a private engineering consultant located in Italy, to provide advice on the European standard on jet grouting during the period from November 1994 to May 1998.

Dr. Barbera graduated from Politecnico di Torino (Polytechnic University of Turin (*note*)) in Italy with a degree of doctor in civil engineering in July 1974. Dr. Barbera was also a member of the Deep Foundations Institute established in the United States from 2007 to 2013.

Note: English translation for reference only.

Ms. Yuen Ming Chan (陳宛明), aged 45, is our factory control manager. She joined our Group in January 2010 and is responsible for the administration and coordination of the manufacturing process of our Group. She is in charge of managing orders from customers, monitoring our work orders and coordinating the production schedules at our Shunde factory, procurement of raw materials required by our manufacturing processes, inventory management, and managing the shipping and export of the products from our Shunde factory in the PRC to Hong Kong and overseas including the delivery of the final manufactured products to our customers and attending to all administrative and compliance issues including handling of warranty claims.

Ms. Yuen Ming Chan has nearly six years of experience in the DTH rockdrilling tool industry and more than 14 years' experience in sales and merchandising. Prior to joining our Group, Ms. Yuen Ming Chan worked as an assistant merchandiser at Famous Horse Garment Factory Ltd. from July 1994 to June 1995 and at Caitac (Hong Kong) Limited from September 1995 to August 1996. She worked as a junior merchandiser at Mutual Bond International Ltd. in November 1996 and then was promoted to merchandiser in March 1997 and left the company in July 1997. She subsequently served as a senior merchandiser from August 1997 to June 2002 at Lever Shirt Limited. Ms. Yuen Ming Chan also worked at LF Centennial Services (Hong Kong) Limited as a senior merchandiser in the women woven team from June 2002 to May 2007, and served as a senior merchandiser at Quicksilver Asia Sourcing Limited from May 2007 to June 2009.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Yuen Ming Chan graduated from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in Hong Kong with a bachelor's degree of science in textiles in November 1994.

Ms. Yuen Ming Chan is the sister of Mr. Kenneth Chan, Mr. Alan Chan and Mr. Eric Chan, our Executive Directors, and the sister-in-law of Ms. Ning Liang, our Executive Director.

Mr. Jonathan Edward Chun-chung Chow (周鎮忠), aged 33, is the chief financial officer and company secretary of our Company. He joined our Group in April 2016 as financial controller and was appointed as chief financial officer and company secretary of our Company on July 18, 2016. Mr. Chow is responsible for overseeing our Group's financial and accounting operations and internal controls, and provides financial and business advice to the Board and senior management of our Group.

He has nearly eleven years of experience in auditing, accounting and management. Mr. Chow started his career with PricewaterhouseCoopers in August 2004 as an associate in the assurance practice and his last position was a manager when he left the firm in March 2014. Before joining our Group, Mr. Chow was the chief financial officer of Clot Co. Limited and its associated companies from March 2014 to April 2016, companies engaged in the businesses of distribution and retailing of branded consumer goods.

Mr. Chow graduated from the School of Oriental and African Studies, University of London in the United Kingdom with a bachelor's degree of science in economics in July 2004. Mr. Chow has been a member of the Hong Kong Institute of Certified Public Accountants since January 2010 and an associate of the Institute of Chartered Accountants in England and Wales since February 2010.

Save as disclosed above, each of our senior management member did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Jonathan Edward Chun-chung Chow is the company secretary of our Company. For details of his biography, please refer to the above paragraph headed "Senior Management" in this section.

BOARD COMMITTEES

Audit and compliance committee

The Company established an audit and compliance committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit and compliance committee consists of three Independent Non-executive Directors, being Mr. Lewis Chan, Mr. Chun Fung Lam and Mr. Lok Man Richard Sung. The chairman of the audit and compliance committee is Mr. Lok Man Richard Sung, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit and compliance committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two Independent Non-executive Directors, being Mr. Lewis Chan and Mr. Chun Fung Lam, and one Executive Director, being Mr. Kenneth Chan. The chairman of the nomination committee is Mr. Kenneth Chan. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

Remuneration committee

The Company established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of two Independent Non-executive Directors, being Mr. Lewis Chan and Mr. Lok Man Richard Sung, and one Executive Director, being Mr. Kenneth Chan. The chairman of the remuneration committee is Mr. Lewis Chan. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Kenneth Chan is the Chairman of our Board and the Chief Executive Officer of our Company. With extensive experience in the DTH rockdrilling tool industry, Mr. Kenneth Chan is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since our establishment in July 1997. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-caliber individuals. Our Board currently comprises four Executive Directors (including Mr. Kenneth Chan) and three Independent Non-executive Directors and therefore has a strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE ADVISER

We have appointed Octal Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- where we propose to use the proceeds of the Public Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

The aggregate remuneration (including fees, salaries and other benefits, performance related incentive payments and contribution to retirement benefit scheme) incurred for our Directors for the three years ended March 31, 2016 and the three months ended June 30, 2016 was approximately HK\$3.1 million, HK\$4.4 million, HK\$3.6 million and HK\$0.7 million, respectively. Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

The aggregate amount of fees, salaries and other benefits, performance related incentive payments and contribution to retirement benefit scheme incurred for our five highest paid individuals, excluding three Directors who constitute three of the five highest paid individuals of our Company, in respect of the three years ended March 31, 2016 and the three months ended June 30, 2016 was approximately HK\$0.9 million, HK\$0.9 million, HK\$1.0 million and HK\$0.3 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived or agreed to waive any remuneration during the same period.

Under the arrangements currently in place, the estimated aggregate amount of remuneration that our Directors will be entitled to receive in the form of remuneration and benefits in kind for the year ending March 31, 2017 is approximately HK\$3.8 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Public Offer, the following persons will have or be deemed or taken to have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

(i) Long Positions of Substantial Shareholders in Shares

Name of shareholder	Nature of interest	Number of Shares or securities held as of the date of this prospectus ⁽¹⁾	Number of Shares or securities held immediately following the completion of the Public Offer ⁽¹⁾	Number of Shares or securities held immediately following the completion of the Public Offer ⁽¹⁾	Approximate percentage of interest in our Company as of the date of this prospectus	Approximate percentage of interest in our Company immediately following the completion of the Public Offer
Hang Yip	Beneficial owner	300,000,000	280,000,000	280,000,000	100%	73.7%
Mr. Kenneth Chan	Interest of a controlled corporation	240,000,000	224,000,000	224,000,000	80%	59.0%
Ms. Ning Liang ⁽²⁾	Interest of spouse	240,000,000	224,000,000	224,000,000	80%	59.0%
Mr. Alan Chan	Interest of a controlled corporation	60,000,000	56,000,000	56,000,000	20%	14.7%
Ms. Jing Liu ⁽³⁾	Interest of spouse	60,000,000	56,000,000	56,000,000	20%	14.7%

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Ning Liang, the spouse of Mr. Kenneth Chan, is deemed to be interested in all the Shares in which Mr. Kenneth Chan is interested by virtue of the SFO.
- (3) Ms. Jing Liu, the spouse of Mr. Alan Chan, is deemed to be interested in all the Shares in which Mr. Alan Chan is interested by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

(ii) Substantial Shareholders of Other Members of the Group

Name of subsidiary of the Company	Name of shareholder	Approximate percentage of interest in our subsidiary immediately following the completion of the Public Offer
Tristate International	Mr. Gary Chan ⁽⁴⁾	49%
Norry Tech	Mr. Gary Chan	49%

Note:

(4) Ms. Vane Siu Ling Linda holds the 49% holdings in Tristate International on trust for Mr. Gary Chan.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Public Offer, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue as of the Latest Practicable Date and to be issued as fully paid or credited as fully paid immediately following the completion of the Public Offer:

As of the Latest Practicable Date

	<i>HK\$</i>
Authorized share capital:	
<u>500,000,000</u> Shares of HK\$0.1 each	<u>50,000,000</u>
Issued share capital:	
<u>300,000,000</u> Shares of HK\$0.1 each	<u>30,000,000</u>

Immediately after completion of the Public Offer

	<i>HK\$</i>
Authorized share capital:	
<u>500,000,000</u> Shares of HK\$0.1 each	<u>50,000,000</u>
Issued share capital before the Public Offer:	
<u>300,000,000</u> Shares of HK\$0.1 each	<u>30,000,000</u>
Issue of Shares as part of the Public Offer:	
<u>80,000,000</u> Shares of HK\$0.1 each	<u>8,000,000</u>
Total issued Shares on completion of the Public Offer	
<u>380,000,000</u> Shares of HK\$0.1 each	<u>38,000,000</u>

SHARE CAPITAL

ASSUMPTIONS

The above tables assume that the Public Offer becomes unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Public Offer. The above does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Public Offer; and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Please refer to the paragraph headed "A. Further Information about Our Group — 3. Written Resolutions of our sole Shareholder" under the section headed "Statutory and General Information" in Appendix IV to this prospectus for details of this general mandate.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Public Offer.

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix IV — A. Further Information about Our Group — 6. Repurchase by our Company of our own securities” to this prospectus.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting. Please refer to the paragraph headed “A. Further Information about our Group — 3. Written Resolutions of our sole Shareholder” under the section headed “Statutory and General Information” in Appendix IV to this prospectus for details of this repurchase mandate.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information have been prepared in accordance with HKFRS. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

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

OVERVIEW

We are the leading manufacturer and supplier of DTH rockdrilling tools in Hong Kong, with a market share in Hong Kong by revenue of 59.2%, in 2015 according to Frost & Sullivan. In addition, we sell piling and drilling machineries and rockdrilling equipment, which are sourced from our external suppliers. During the Track Record Period, our revenues were generated from three major business segments:

- (i) manufacturing and trading of DTH rockdrilling tools;
- (ii) trading of piling and drilling machineries; and
- (iii) trading of rockdrilling equipment.

We manufacture our self-designed DTH rockdrilling tools at our factory located at Shunde District, the PRC. We source piling and drilling machineries and rockdrilling equipment that we do not manufacture ourselves from suppliers and manufacturers mainly located in Japan, the PRC, Italy, Korea and Australia, which we trade to our customers as part of our technical rockdrilling solutions.

During the Track Record Period, our revenue was approximately HK\$150.6 million, HK\$126.6 million, HK\$141.7 million and HK\$27.8 million for each of the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively.

During the Track Record Period, whilst a substantial portion of our revenue has been generated from our direct sales of our products to customers in Hong Kong and Macau, an increasing portion of our revenue has been generated from exports of DTH rockdrilling tools through our overseas distributors. For the three years ended March 31, 2016 and the three months ended June 30, 2016, revenue generated from sales in Hong Kong accounted for approximately 89.2%, 90.7%, 88.6% and 87.3%, respectively, of our total revenue. As we continue to expand our global network, we expect international sales to constitute an increasing portion of our total revenue.

FINANCIAL INFORMATION

BASIS OF PREPARATION

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows have been prepared as if our Company had always been the holding company of our Group and the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entity where this is a shorter period. The consolidated statements of financial position as of March 31, 2014, 2015 and 2016 and June 30, 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates, taking into account the respective date of incorporation of the relevant entity.

For more information on the basis of preparation of the financial information included herein, please refer to Note 2 of Section E of the Accountants' Report in Appendix I to this prospectus.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Market demand for foundation activities

Our revenue growth depends on the market demand for DTH rockdrilling tools, which in turn depends on the development of the Hong Kong foundation industry.

As the economy in Hong Kong is expanding steadily, it is anticipated that there will be more infrastructure and real estate projects developed, which will boost the application of DTH rockdrilling tools in various projects, including foundation engineering. According to the Frost & Sullivan Report, the gross value of construction works performed by main contractors has been increasing steadily from HK\$100.3 billion in 2010 to HK\$145.4 billion in 2015, at a CAGR of 7.7%. The contribution from private sector has been rising in the last five years from 27.1% in 2011 of the total construction works to 28.5% in 2015 which is attributed by the increasing private real estate development. According to the Frost & Sullivan Report, it is expected that the total project expenses of real estate projects will increase to HK\$186.1 billion in 2020 at a CAGR of 20.6%. However, there is no guarantee that the foundation industry in Hong Kong will continue to grow at the expected rate. Many factors may affect the foundation industry and our customers' demand for our products, including the timeliness of passing of funding approvals for construction projects in Hong Kong, the availability of experienced labor, changes in law and regulations relating to our products, as well as the general conditions and development of the Hong Kong economy. Any decline in the foundation industry or in the demand for our products from our customers due to any such factors could have a material adverse effect on our business, financial condition, and results of operations.

FINANCIAL INFORMATION

Expansion into overseas market

During the Track Record Period, we expanded our business into overseas markets, and have exported our products through our Scandinavian distributor and Japan distributor to customers in Finland, Sweden, Norway, Denmark, Iceland and Japan. For the three years ended March 31, 2016 and the three months ended June 30, 2016, our exports to Scandinavia accounted for approximately 6.5%, 2.7%, 3.2% and 3.8% of our total revenue, respectively.

Exports to Japan accounted for approximately nil, nil, 4.7% and 0.8% of our revenue over the same respective periods. According to the Frost & Sullivan Report, the growing trend for the global DTH rockdrilling tool industry size is expected to continue at a CAGR of 16.4% from 2015 to 2020 and reach USD1,037.4 million in 2020. In expanding and maintaining our business in overseas markets, we may face risks such as difference in local environments requiring adaptation of our DTH rockdrilling tools and difficulties in entering new markets and establishing brand recognition, and any failure to manage these risks may result in a material adverse impact on our business, financial condition and results of operations.

Raw material prices

Purchase of raw materials account for a large portion of our production costs, representing approximately 31.2%, 44.1%, 36.6% and 32.8% of our total cost of sales for the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. Alloy steel and tungsten carbide are the major raw materials for our self-manufactured DTH rockdrilling tools. Therefore, the fluctuations of their prices have a huge impact on the cost structure and the profit margin of our self-manufactured DTH rockdrilling tools. Alloy steel has seen an overall declining trend in prices at CAGRs of -10.5% from 2007 to 2015. The price trend of tungsten carbide has been fluctuating in the last few years with an overall CAGR of 0.4% from 2007 to 2015. As the prices of raw materials may rise, and as we may not be able to pass through the full extent of any increased prices for raw materials to our customers, volatility in the price of raw materials could negatively affect our profit margins and results of operations. Please also refer to the section headed “Financial Information — Sensitivity Analysis — Raw Materials Prices” of this prospectus.

Pricing of piling and drilling machineries and rockdrilling equipment sourced for trading

As part of our technical rockdrilling solutions we offer to our customers, we source piling and drilling machineries and rockdrilling equipment that we do not manufacture ourselves from suppliers and manufacturers mainly located in Japan, the PRC, Italy, Korea and Australia. These represented approximately 29.0%, 31.4%, 24.5% and 25.2% of our total cost of sales for the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. There is no guarantee our supply of such piling and drilling machineries or rockdrilling equipment will not be disrupted or that the price at which we source them at will not increase. While during the Track Record Period, we have been able to obtain purchase discounts from our Japanese supplier of piling and drilling machineries and also from a supplier of rockdrilling equipment, if we fail to source such equipment or machineries in a timely manner or at reasonable prices, we may not be able to adequately satisfy our customers' rockdrilling requirements, which may materially and adversely affect our business, financial condition, reputation and results of operations.

FINANCIAL INFORMATION

Labor costs

Although certain procedures of the manufacturing of our DTH rockdrilling tools are mechanized and automated, we rely to a significant extent on skilled and experienced workers. We intend to use part of our net proceeds from the Public Offer to increase our manpower, including employing new technicians to operate the new machinery and equipment at our new manufacturing facilities.

Our operations rely on the steady supply of labor in the PRC. Our direct labor costs incurred accounted for approximately 5.4%, 8.8%, 9.1% and 13.2% of the total cost of sales for the three years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016, respectively.

Labor costs are affected by the demand for and supply of labor, economic factors including the inflation rate and standard of living. Labor costs may further increase in the future due to a shortage of skilled labor and growing industry demands for skilled workers. According to the Frost & Sullivan Report, labor costs in the PRC was increasing over the past few years, with average wage of staff and workers in urban units in the PRC showing a rising trend from RMB24,932 in 2007 to RMB57,361 in 2014 at a CAGR of 12.6%, and the trend is likely to continue with the average wage likely growing to reach RMB107,407 in 2020 at a CAGR of 11.1%.

There is no guarantee that our labor costs will not increase. If we fail to retain our existing labor and/or recruit sufficient labor in a timely manner, we may not be able to accommodate any sudden increase in demand for our products or our expansion plans. Increases in our labor costs may materially and adversely affect our business, financial condition, results of operations and prospects. Please also refer to the section headed “Financial Information — Sensitivity Analysis — Labor Costs”.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our consolidated financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 4 of Section E of the Accountants’ Report in Appendix I to this prospectus.

In addition, the preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the three years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016. However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities in the future. These key assumptions and estimates are set forth in Note 5 of Section E of the Accountants’ Report in Appendix I to this prospectus.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets out the combined results of our Group for each of the years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountants’ Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended March 31,			For the three months ended June 30,	
	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>
				(unaudited)	
Revenue	150,571	126,620	141,744	30,558	27,778
Cost of sales	<u>(98,807)</u>	<u>(72,268)</u>	<u>(78,523)</u>	<u>(17,131)</u>	<u>(15,105)</u>
Gross profit	51,764	54,352	63,221	13,427	12,673
Other income	1,744	929	4,357	193	636
Other gains and losses	(1,788)	(268)	1,577	183	1,268
Selling and distribution expenses	(3,575)	(3,836)	(4,031)	(816)	(992)
Administrative expenses	(17,653)	(18,874)	(20,786)	(3,766)	(4,743)
Listing expenses	—	—	(1,013)	—	(9,575)
Finance costs	<u>(628)</u>	<u>(612)</u>	<u>(419)</u>	<u>(155)</u>	<u>(90)</u>
Profit (loss) before tax	29,864	31,691	42,906	9,066	(823)
Income tax expense	<u>(4,759)</u>	<u>(5,316)</u>	<u>(7,654)</u>	<u>(1,393)</u>	<u>(1,675)</u>
Profit (loss) for the year/period	<u>25,105</u>	<u>26,375</u>	<u>35,252</u>	<u>7,673</u>	<u>(2,498)</u>
Other comprehensive income					
(expense) for the year/period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations	<u>269</u>	<u>146</u>	<u>(1,558)</u>	<u>70</u>	<u>(715)</u>
Total comprehensive income (expense) for the year/period	<u><u>25,374</u></u>	<u><u>26,521</u></u>	<u><u>33,694</u></u>	<u><u>7,743</u></u>	<u><u>(3,213)</u></u>
Profit (loss) for the year/period attributable to:					
Owners of the Company	18,887	21,141	26,974	6,252	(2,969)
Non-controlling interests	<u>6,218</u>	<u>5,234</u>	<u>8,278</u>	<u>1,421</u>	<u>471</u>
	<u><u>25,105</u></u>	<u><u>26,375</u></u>	<u><u>35,252</u></u>	<u><u>7,673</u></u>	<u><u>(2,498)</u></u>
Total comprehensive income (expense) for the year/period attributable to:					
Owners of the Company	19,027	21,210	26,158	6,318	(3,322)
Non-controlling interests	<u>6,347</u>	<u>5,311</u>	<u>7,536</u>	<u>1,425</u>	<u>109</u>
	<u><u>25,374</u></u>	<u><u>26,521</u></u>	<u><u>33,694</u></u>	<u><u>7,743</u></u>	<u><u>(3,213)</u></u>

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue was principally generated from three major segments: manufacturing and trading of DTH rockdrilling tools, trading of piling and drilling machineries and trading of rockdrilling equipment. The following table sets out a breakdown of our revenues by segment during the Track Record Period:

	For the year ended March 31,						For the three months ended June 30,			
	2014		2015		2016		2015		2016	
	HK\$'million		HK\$'million		HK\$'million		HK\$'million		HK\$'million	
	(unaudited)									
Manufacturing and trading of DTH rockdrilling tools	105.2	69.9%	94.4	74.6%	112.3	79.3%	25.8	84.3%	21.6	77.7%
Trading of piling and drilling machineries	19.8	13.1%	17.6	13.9%	15.3	10.8%	1.6	5.2%	0.6	2.2%
Trading of rockdrilling equipment	<u>25.6</u>	<u>17.0%</u>	<u>14.6</u>	<u>11.5%</u>	<u>14.1</u>	<u>9.9%</u>	<u>3.2</u>	<u>10.5%</u>	<u>5.6</u>	<u>20.1%</u>
Total Revenue	<u>150.6</u>	<u>100.0%</u>	<u>126.6</u>	<u>100.0%</u>	<u>141.7</u>	<u>100.0%</u>	<u>30.6</u>	<u>100.0%</u>	<u>27.8</u>	<u>100.0%</u>

We sell our products to customers in Hong Kong, Macau, and through distributors in Finland and Japan to end users in Scandinavia and Japan. We generated most of our revenue from sales in Hong Kong, which accounted for approximately 89.2%, 90.7%, 88.6% and 87.3% of our total revenue in the three years ended March 31, 2014, 2015, 2016 and the three months ended June 30, 2016, respectively. As we continue to expand our global network, we expect international sales to constitute an increasing portion of our total revenue. The following table sets forth our revenue by geographic area, in absolute amount and as a percentage of total revenue, for the periods indicated.

	For the year ended March 31,						For the three months ended June 30,			
	2014		2015		2016		2015		2016	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
	(unaudited)									
Hong Kong	134,331	89.2%	114,819	90.7%	125,567	88.6%	28,323	92.7%	24,246	87.3%
Macau	6,238	4.1%	7,131	5.6%	5,009	3.5%	1,076	3.5%	2,249	8.1%
Scandinavia	9,747	6.5%	3,406	2.7%	4,545	3.2%	1,159	3.8%	1,052	3.8%
Japan	—	—	—	—	6,611	4.7%	—	—	231	0.8%
Others	<u>255</u>	<u>0.2%</u>	<u>1,264</u>	<u>1.0%</u>	<u>12</u>	<u>0.0%</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Revenue	<u>150,571</u>	<u>100.0%</u>	<u>126,620</u>	<u>100.0%</u>	<u>141,744</u>	<u>100.0%</u>	<u>30,558</u>	<u>100.0%</u>	<u>27,778</u>	<u>100.0%</u>

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Other income

Our other income and expenses mainly include rental income, scrap sales, compensation income, sundry income, government subsidy, repairing income and bank interest income.

The following table sets forth our other income, for the period indicated.

	For the year ended March 31,			For the three months ended June 30,	
	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>
	(unaudited)				
Rental income of piling and drilling machineries and equipment	1,149	85	750	—	270
Scrap sales	295	253	144	38	45
Compensation income ⁽¹⁾	92	158	2,503	—	—
Bank interest income	19	9	4	2	—
Government subsidy ⁽²⁾	—	280	71	—	—
Income from repairing services	—	—	713	—	120
Sundry income	<u>189</u>	<u>144</u>	<u>172</u>	<u>153</u>	<u>201</u>
	<u>1,744</u>	<u>929</u>	<u>4,357</u>	<u>193</u>	<u>636</u>

Notes:

- (1) Compensation income for the years ended March 31, 2014 and March 31, 2015 mainly represents compensation from suppliers for defective goods and insurance claim in relation to employee's compensation of injury respectively. For the year ended March 31, 2016, this mainly represents compensation paid by a seller in relation to the unsuccessful purchase of a piece of land situated in the PRC.
- (2) The government subsidy consisted of ex-gratia payments granted by the government of Hong Kong for retirement of motor vehicles according to the Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) Regulation (Chapter 311X of the Laws of Hong Kong).

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Other gains and losses

Our other gains and losses mainly include net foreign exchange gains or losses, impairment loss recognised on trade receivables, gains on fair value change of derivative financial instruments, and gains on disposal of property, plant and equipment.

The following table sets forth our other gains and losses, for the period indicated.

	For the year ended March 31,			For the three months ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Net foreign exchange (loss) gain	(1,528)	584	1,577	183	134
Impairment loss recognised on trade receivables	(423)	(865)	—	—	—
Gain on fair value change of derivative financial instruments	156	—	—	—	—
Gain on disposal of property, plant and equipment	<u>7</u>	<u>13</u>	<u>—</u>	<u>—</u>	<u>1,134</u>
	<u>(1,788)</u>	<u>(268)</u>	<u>1,577</u>	<u>183</u>	<u>1,268</u>

Cost of sales

Our cost of sales mainly includes purchase of raw materials, cost of trading goods sold, labor costs, rental charges including of premises and machinery, depreciation of plant and equipment related to production, subcontracting charges, manufacturing overheads and other expenses and net changes in self-manufacturing inventories.

	For the year ended March 31,			For the three months ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Purchase of raw materials	30,872	31,864	28,763	6,690	4,954
Cost of trading goods sold	28,670	22,695	19,219	3,049	3,801
Labor costs	5,345	6,395	7,112	1,601	1,989
Rental charges	2,996	2,685	761	121	377
Depreciation	1,585	1,736	1,740	440	481
Manufacturing overheads and other expenses	7,857	8,482	5,255	388	372
Subcontracting charges	20,050	7,156	5,623	1,605	1,564
PRC Net VAT	2,288	2,337	2,437	559	731
Net changes in self-manufacturing inventories	<u>(856)</u>	<u>(11,082)</u>	<u>7,613</u>	<u>2,678</u>	<u>836</u>
Total	<u>98,807</u>	<u>72,268</u>	<u>78,523</u>	<u>17,131</u>	<u>15,105</u>

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Purchase of raw materials was the largest component of our cost of sales and primarily consisted of cost of our raw materials used in the production of our self-designed and manufactured DTH rockdrilling tools, including alloy steel and tungsten carbide. Purchase of raw materials accounted for approximately 31.2%, 44.1%, 36.6% and 32.8%, respectively of our cost of sales for each of the three years ended March 31, 2016 and the three months ended June 30, 2016.

Cost of trading goods sold primarily consisted of cost of rockdrilling equipment that we do not manufacture ourselves and piling and drilling machineries from third party suppliers and manufacturers. Cost of trading goods sold accounted for approximately 29.0%, 31.4%, 24.5% and 25.2%, respectively of our cost of sales for each of the three years ended March 31, 2016 and the three months ended June 30, 2016.

Labor costs represented salaries and other staff-related costs of our own manufacturing operations. Labor costs depend on wage levels and number of production staff employed. Labor costs account for approximately 5.4%, 8.8%, 9.1% and 13.2%, respectively of our cost of sales for each of the three years ended March 31, 2016 and the three months ended June 30, 2016.

In the year ended March 31, 2014, we incurred processing and welding charges of approximately HK\$11.9 million (the “**2014 Processing Charges**”) when we experienced an over-utilization of our manufacturing facilities and had to subcontract certain manufacturing processes to an independent third party contractor.

Gross profit and gross profit margin

Gross profit represented our revenue less cost of sales. Gross profit margin represents gross profit as a percentage of revenue. The following table sets out the gross profit margin by segment during the Track Record Period.

	For the year ended March 31,			For the three months ended June 30,	
	2014	2015	2016	2015	2016
				(unaudited)	
Manufacturing and trading of DTH rockdrilling tools	33.4%	47.5%	47.2%	45.4%	47.6%
Trading of piling and drilling machineries	39.1%	32.3%	34.9%	49.3%	31.5%
Trading of rockdrilling equipment	35.0%	26.3%	34.5%	29.4%	39.3%

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Selling and distribution expenses

Our selling and distribution expenses mainly include business promotion expenses, sales staff salaries and freight, transportation and storage expenses for overseas deliveries.

	For the year ended March 31,			For the three months ended June 30,	
	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>
				(unaudited)	
Freight, transportation and storage expenses	2,413	2,092	1,815	449	400
Sales staff salaries	961	1,041	1,340	268	418
Business promotion expenses	—	79	549	11	29
Other expenses	<u>201</u>	<u>624</u>	<u>327</u>	<u>88</u>	<u>145</u>
	<u>3,575</u>	<u>3,836</u>	<u>4,031</u>	<u>816</u>	<u>992</u>

For each of the three years ended March 31, 2016 and the three months ended June 30, 2016, our selling and distribution expenses represented approximately 2.4%, 3.0%, 2.8% and 3.6%, respectively, of our revenue.

Administrative expenses

Administrative expenses consist primarily of directors' remuneration, legal and professional fees, office rental expenses, depreciation, travelling expenses, repair and maintenance expenses and other expenses and staff costs.

	For the year ended March 31,			For the three months ended June 30,	
	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>
				(unaudited)	
Directors' remuneration	2,693	3,861	2,942	429	485
Legal and professional fees	51	289	1,359	48	42
Office rental expenses	1,853	1,656	3,004	496	622
Depreciation	790	1,447	1,642	388	321
Travelling expenses	879	1,026	713	78	82
Other expenses	4,285	3,983	4,700	880	1,409
Staff costs	3,368	4,275	5,686	1,285	1,607
Repair and maintenance expenses	<u>3,734</u>	<u>2,337</u>	<u>740</u>	<u>162</u>	<u>175</u>
	<u>17,653</u>	<u>18,874</u>	<u>20,786</u>	<u>3,766</u>	<u>4,743</u>

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For each of the three years ended March 31, 2016 and the three months ended June 30, 2016, our administrative expenses represented approximately 11.7%, 14.9%, 14.7% and 17.1%, respectively, of our revenue.

Finance costs

Finance costs consist of interest on bank borrowings. For each of the three years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016, interest paid on bank borrowings was approximately HK\$0.6 million, HK\$0.6 million, HK\$0.4 million and HK\$0.1 million, respectively.

Income tax expenses

Income tax expense represents the corporate income tax on our assessable profit before tax in Hong Kong and the PRC, the provision for current income tax expense in Hong Kong and the PRC and the movement in deferred tax assets or liabilities recognized for the relevant period.

Our Company and its subsidiaries are incorporated in different jurisdictions, with different taxation requirements illustrated below:

The Cayman Islands and the BVI

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any profits tax in the Cayman Islands and the BVI.

Hong Kong

All of our Hong Kong incorporated subsidiaries were subject to Hong Kong profits tax at the rate of 16.5% during the Track Record Period.

PRC

Pursuant to the EIT Law and Implementation Regulation of the EIT Law, our PRC subsidiary Norry Tech was subject to 25% corporate income tax rate on its assessable profits during the Track Record Period.

For each of the three years ended March 31, 2014, 2015 and 2016, the effective tax rate of our Group was approximately 15.9%, 16.8% and 17.8%, respectively, and the effective tax rate (excluding the impact of the effect of listing expense) of our Group for the three months ended June 30, 2016 was approximately 19.1%.

Our Directors confirm that they were not aware of any disputes/unresolved tax issues with any tax authorities as of the Latest Practicable Date.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three months ended June 30, 2016 compared with three months ended June 30, 2015

Revenue

Our revenue decreased by approximately HK\$2.8 million, or 9.2%, from approximately HK\$30.6 million for the three months ended June 30, 2015 to approximately HK\$27.8 million for the three months ended June 30, 2016, primarily due to a decrease in sales of DTH rockdrilling tools and piling and drilling machineries, offset by an increase in sales of rockdrilling equipment, for the reasons as further set out below.

Revenue by segment

Revenue from manufacturing and trading of DTH rockdrilling tools for the three months ended June 30, 2016 decreased by approximately HK\$4.2 million, or 16.3%, from approximately HK\$25.8 million for the three months ended June 30, 2015 to approximately HK\$21.6 million for the three months ended June 30, 2016, following increased sales towards the end of the financial year in March 2016.

Revenue from trading of piling and drilling machineries for the three months ended June 30, 2016 was approximately HK\$0.6 million, a decrease of 62.5%, compared to approximately HK\$1.6 million for the three months ended June 30, 2015, for the same reasons as for the decrease in revenue from manufacturing and trading of DTH rockdrilling tools.

Revenue from trading of rockdrilling equipment for the three months ended June 30, 2016 increased by approximately HK\$2.4 million, or 75.0%, from approximately HK\$3.2 million for the three months ended June 30, 2015 to approximately HK\$5.6 million for the three months ended June 30, 2016, mainly attributable to the sales of drill pipes to our largest customer.

Revenue by geographical location

Our revenue derived from Hong Kong for the three months ended June 30, 2016 decreased by approximately HK\$4.1 million, or 14.5%, from approximately HK\$28.3 million for the three months ended June 30, 2015 to approximately HK\$24.2 million for the three months ended June 30, 2016, for the same reasons as for the decrease in revenue from manufacturing and trading of DTH rockdrilling tools.

Our revenue derived from Macau for the three months ended June 30, 2016 increased by approximately HK\$1.1 million, or 100.0%, from approximately HK\$1.1 million for the three months ended June 30, 2015 to approximately HK\$2.2 million for the three months ended June 30, 2016, mainly because of the sales of products to Customer F of approximately HK\$1.3 million.

Our revenue derived from other areas, including Scandinavia and Japan for the three months ended June 30, 2016 increased by approximately HK\$0.1 million, or 8.3%, from approximately HK\$1.2 million for the three months ended June 30, 2015 to approximately HK\$1.3 million for the three months

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ended June 30, 2016. During the three months ended June 30, 2016, sales to our Japanese distributor increased by approximately HK\$0.2 million. Our sales during this period to our Scandinavian distributor decreased by approximately HK\$0.1 million.

Cost of sales

Our cost of sales decreased by approximately HK\$2.0 million, or 11.7%, from approximately HK\$17.1 million for the three months ended June 30, 2015 to approximately HK\$15.1 million for the three months ended June 30, 2016. This reflected our decrease in sales of our products during the same period.

Our purchase of raw materials decreased by approximately HK\$1.7 million, or 25.4%, from approximately HK\$6.7 million for the three months ended June 30, 2015 to approximately HK\$5.0 million for the three months ended June 30, 2016, primarily due to decrease in amount of raw materials consumed in line with the decrease in sales of our self-designed and manufactured DTH rockdrilling tools.

Our cost of trading goods increased by approximately HK\$0.8 million, or 26.7%, from approximately HK\$3.0 million for the three months ended June 30, 2015 to approximately HK\$3.8 million for the three months ended June 30, 2016, primarily due to an increase in the amount of trading of rockdrilling equipment.

Our cost of labor increased by approximately HK\$0.4 million, or 25.0%, from approximately HK\$1.6 million for the three months ended June 30, 2015 to approximately HK\$2.0 million for the three months ended June 30, 2016, primarily due to an increase in headcount of our production staff.

Gross profit and gross profit margin

Our Group's total gross profit decreased by approximately HK\$0.7 million, or 5.2%, from approximately HK\$13.4 million for the three months ended June 30, 2015 to approximately HK\$12.7 million for the three months ended June 30, 2016. Gross profit margin increased from approximately 43.9% for the three months ended June 30, 2015 to approximately 45.6% for the three months ended June 30, 2016.

Our gross profit margin for manufacturing and trading of DTH rockdrilling tools increased from approximately 45.4% for the three months ended June 30, 2015 to approximately 47.6% for the three months ended June 30, 2016. Our gross profit margin for trading of piling and drilling machineries decreased from approximately 49.3% for the three months ended June 30, 2015 to approximately 31.5% for the three months ended June 30, 2016, due mainly to the fact that the gross profit margin for the three months ended June 30, 2015 was affected by an one-off transaction which enjoyed a gross profit margin of approximately 54.2%. Our gross profit margin for trading of rockdrilling equipment increased from approximately 29.4% for the three months ended June 30, 2015 to approximately 39.3% for the three months ended June 30, 2016, reflecting the general trend for 2015 when we earned lower margins for sale of such equipment generally.

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Other income

Other income increased by approximately HK\$0.4 million, or 200.0%, from approximately HK\$0.2 million for the three months ended June 30, 2015 to approximately HK\$0.6 million for the three months ended June 30, 2016, primarily due to rental income of machineries and equipment of approximately HK\$0.3 million and fees received from repairing services provided at customer's request as a value-added service of approximately HK\$0.1 million.

Other gains and losses

Our Group recorded other gains of approximately HK\$1.3 million for the three months ended June 30, 2016, compared to other losses of approximately HK\$0.2 million for the three months ended June 30, 2015. The gain of approximately HK\$1.1 million was mainly attributable to an increase of gains on disposal of property, plant and equipment of approximately HK\$1.1 million.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$0.2 million, or 25.0%, from approximately HK\$0.8 million for the three months ended June 30, 2015 to approximately HK\$1.0 million for the three months ended June 30, 2016. The primary contributing components to the increase in selling and distribution expenses in the three months ended June 30, 2016 were an increase in sales staff salaries of approximately HK\$0.2 million.

Administrative expenses

Our administrative expenses increased by approximately HK\$0.9 million, or 23.7%, from approximately HK\$3.8 million for the three months ended June 30, 2015 to approximately HK\$4.7 million for the three months ended June 30, 2016. The primary contributing components to the increase in administrative expenses in the three months ended June 30, 2016 were increase in office rental expenses, other expenses and staff costs.

Finance costs

Finance costs decreased by approximately HK\$0.1 million, or 50.0%, from approximately HK\$0.2 million for the three months ended June 30, 2015 to approximately HK\$0.1 million for the three months ended June 30, 2016. The decrease is mainly attributable to a decrease in interest payable on bank borrowings even though our bank borrowings as at June 30, 2016 had increased, due to the timing of the drawdown of such borrowings.

Income tax expense

Our income tax expense increased by approximately HK\$0.3 million, from approximately HK\$1.4 million for the three months ended June 30, 2015 to approximately HK\$1.7 million for the three months ended June 30, 2016, due primarily to the increase in profit before tax in the year ended March 31, 2016. Our effective tax rate (excluding the impact of the effect of listing expense) of the Group for the three months ended June 30, 2016 was approximately 19.1%, and the effective tax rate is 15.4% for the three months ended June 30, 2015.

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Profit (loss) for the period and net profit margin

As a result of the foregoing, and taking into account listing expenses incurred of approximately HK\$9.6 million, our Group's loss for the three months ended June 30, 2016 was approximately HK\$2.5 million. Our net profit margin, adjusted for the listing expenses was approximately 25.5% for the three months ended June 30, 2016 as compared to approximately 25.1% for the previous corresponding period.

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

Revenue

Our revenue increased by approximately HK\$15.1 million, or 11.9%, from approximately HK\$126.6 million for the year ended March 31, 2015 to approximately HK\$141.7 million for the year ended March 31, 2016, primarily due to an increase in sales of our self-designed and manufactured DTH rockdrilling tools, due to increased demand both locally in Hong Kong as well as overseas.

Revenue by segment

Revenue from manufacturing and trading of DTH rockdrilling tools for the year ended March 31, 2016 increased by approximately HK\$17.9 million, or 19.0%, from approximately HK\$94.4 million for the year ended March 31, 2015 to approximately HK\$112.3 million for the year ended March 31, 2016, mainly because of an increase in sales, including an increase of approximately HK\$10.8 million in Hong Kong and approximately HK\$7.1 million from overseas. The increase in such revenue was also attributable to an increase in the product range of our self-designed and manufactured DTH rockdrilling tools, as well as our increase in manufacturing capacity resulting in increased production of goods for sale.

Revenue from trading of piling and drilling machineries for the year ended March 31, 2016 was approximately HK\$15.3 million, a decrease of approximately 13.1%, compared to approximately HK\$17.6 million for the year ended March 31, 2015, resulting from a decrease in trading of second hand machineries following the introduction of the NRMM Regulation in 2015.

Revenue from trading of rockdrilling equipment for the year ended March 31, 2016 remained relatively stable, decreasing by approximately HK\$0.5 million, or 3.4%, from approximately HK\$14.6 million for the year ended March 31, 2015 to approximately HK\$14.1 million for the year ended March 31, 2016.

Revenue by geographical location

Our revenue derived from Hong Kong increased by approximately HK\$10.8 million, or 9.4%, from approximately HK\$114.8 million for the year ended March 31, 2015 to approximately HK\$125.6 million for the year ended March 31, 2016. In particular, revenue generated from sales to our largest customer, who is located in Hong Kong, for the year ended March 31, 2016 increased by approximately HK\$25.4 million or 79.3% from March 31, 2015, who purchased a wide range of products, including drill pipes.

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Our revenue derived from Macau decreased by approximately HK\$2.1 million, or 29.6%, from approximately HK\$7.1 million for the year ended March 31, 2015 to approximately HK\$5.0 million for the year ended March 31, 2016, mainly because of a slowdown in the Macanese economy.

Our revenue derived from Scandinavia and Japan increased by approximately HK\$7.8 million, or 229.4%, from approximately HK\$3.4 million for the year ended March 31, 2015 to approximately HK\$11.2 million for the year ended March 31, 2016. During the year ended March 31, 2016, we entered into a distribution agreement with our Japan distributor, resulting in the generation of approximately HK\$6.6 million in revenue. Our sales during this period to our Scandinavian distributor also increased by approximately HK\$1.1 million.

Cost of sales

Our cost of sales increased by approximately HK\$6.2 million, or 8.6%, from approximately HK\$72.3 million for the year ended March 31, 2015 to approximately HK\$78.5 million for the year ended March 31, 2016. This was primarily due to an increase in net changes in self-manufacturing inventories resulting from an increase in sales of self-designed and manufactured DTH rockdrilling tools, and an increase in cost of labor, offset by a decrease in cost of trading goods sold and a cessation in rental charges for the rental of plant and machinery for production purposes payable to Giga-Tech Rock Drilling Limited, our connected person.

Our purchase of raw materials decreased by approximately HK\$3.1 million, or 9.7%, from approximately HK\$31.9 million for the year ended March 31, 2015 to approximately HK\$28.8 million for the year ended March 31, 2016. Such decrease was despite of an increase in sales of self-designed and manufactured DTH rockdrilling tools, due to an increase in total consumed raw materials from our inventory in manufacturing of our DTH rockdrilling tools and also a general decrease in the unit price of our raw materials. Our actual raw materials consumed for the year ended March 31, 2016 increased as compared to raw materials consumed for the year ended March 31, 2015, in line with the increase in sales of our self-designed and manufactured DTH rockdrilling tools.

Our cost of trading goods sold decreased by approximately HK\$3.5 million, or 15.4%, from approximately HK\$22.7 million for the year ended March 31, 2015 to approximately HK\$19.2 million for the year ended March 31, 2016, primarily due to a decrease in the amount of the trading of such equipment and machineries.

Our cost of labor increased by approximately HK\$0.7 million, or 10.9%, from approximately HK\$6.4 million for the year ended March 31, 2015 to approximately HK\$7.1 million for the year ended March 31, 2016, primarily due to an increase in headcount of our production staff and rising salaries in the PRC.

Gross profit and gross profit margin

Our Group's gross profit increased by approximately HK\$8.8 million, or 16.2%, from approximately HK\$54.4 million for the year ended March 31, 2015 to approximately HK\$63.2 million for the year ended March 31, 2016. Gross profit margin improved from approximately 42.9% for the year ended March 31, 2015 to approximately 44.6% for the year ended March 31, 2016.

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Our Group's improvement in gross profit margin is attributable to an overall increase of approximately 11.9% in revenue for the year ended March 31, 2016 while our cost of sales for the corresponding period only rose by approximately 8.6%. This was also due to an increased contribution from sales of our self-designed and manufactured DTH rockdrilling tools, which have a higher gross profit margin as compared to the gross profit margin for the trading of machineries and equipment.

Our gross profit margin for manufacturing and trading of DTH rockdrilling tools of approximately 47.2% for the year ended March 31, 2016 remained stable as compared to approximately 47.5% for the year ended March 31, 2015. Our gross profit margin for trading of piling and drilling machineries of approximately 34.9% for the year ended March 31, 2016 also remained relatively stable as compared to approximately 32.3% for the year ended March 31, 2015. Gross profit margin for trading of rockdrilling equipment increased from approximately 26.3% for the year ended March 31, 2015 to approximately 34.5% for the year ended March 31, 2016, due mainly to a decrease in purchases of trading goods as a result of discounts provided by our supplier of rockdrilling equipment.

Other income

Other income increased by approximately HK\$3.5 million, or 388.9%, from approximately HK\$0.9 million for the year ended March 31, 2015 to approximately HK\$4.4 million for the year ended March 31, 2016, primarily due to an increase in compensation income of approximately HK\$2.5 million paid by a seller in relation to the termination of Group's proposed purchase of land situated in the PRC in the year ended March 31, 2016, fees received from repairing services provided at customers' request as a value-added service of approximately HK\$0.7 million, as well as an increase in rental income of machineries and equipment of approximately HK\$0.7 million. This was offset by a decrease in subsidies received from the government of Hong Kong of approximately HK\$0.2 million in relation to the retirement of motor vehicles.

Other gains and losses

Other gains and losses represents net foreign exchange gain, impairment losses recognized on trade receivables, gain on disposal of property, plant and equipment and gain on fair value change of derivative financial instruments. Our Group recorded other gains of approximately HK\$1.6 million for the year ended March 31, 2016, compared to other losses of approximately HK\$0.3 million for the year ended March 31, 2015. The other gains for the year ended March 31, 2016 were mainly attributable to a decrease in impairment loss recognized on trade receivables of approximately HK\$0.9 million, and the increase in net foreign exchange gain of approximately HK\$1.0 million, for the year ended March 31, 2016.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$0.2 million, or 5.3%, from approximately HK\$3.8 million for the year ended March 31, 2015 to approximately HK\$4.0 million for the year ended March 31, 2016. The primary contributing components included an increase in business promotion expenses of approximately HK\$0.5 million and an increase in sales staff salaries of approximately HK\$0.3 million.

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Administrative expenses

Our administrative expenses increased by approximately HK\$1.9 million, or 10.1%, from approximately HK\$18.9 million for the year ended March 31, 2015 to approximately HK\$20.8 million for the year ended March 31, 2016. The primary contributing component to the increase in administrative expenses in the year ended March 31, 2016 was an increase in legal and professional fees relating to intellectual property applications, staff costs and office rental expenses.

Finance costs

Finance costs decreased by approximately HK\$0.2 million, or 33.3%, from approximately HK\$0.6 million for the year ended March 31, 2015 to approximately HK\$0.4 million for the year ended March 31, 2016. The decrease is mainly attributable to a decrease in interest payable on bank borrowings due to a decrease in the principal of such bank borrowings.

Income tax expense

Our income tax expense increased by approximately HK\$2.4 million, or 45.3%, from approximately HK\$5.3 million for the year ended March 31, 2015 to approximately HK\$7.7 million for the year ended March 31, 2016, due primarily to the increase in profit before tax in the year ended March 31, 2016. Our effective tax rate was approximately 17.8% for the year ended March 31, 2016, as compared to approximately 16.8% for the year ended March 31, 2015.

Profit for the year and net profit margin

As a result of the foregoing, our Group's profit for the year ended March 31, 2016 was approximately HK\$35.3 million, representing a year-on-year growth of approximately 33.7%. Our net profit margin (adjusted for listing expenses) increased to approximately 25.5% for the year ended March 31, 2016 as compared to approximately 20.9% for the preceding year. The improvement in net profit margin is mainly attributable to an overall increase of approximately 11.9% in revenue for the year ended March 31, 2016 while our cost of sales for the corresponding period only rose by approximately 8.6%.

Year ended March 31, 2015 compared with year ended March 31, 2014

Revenue

Our revenue decreased by approximately HK\$24.0 million, or 15.9%, from approximately HK\$150.6 million for the year ended March 31, 2014 to approximately HK\$126.6 million for the year ended March 31, 2015, primarily due to (a) the delay in funding approvals for construction jobs in Hong Kong, in particular, the road improvement works for West Kowloon reclamation development, site formation and infrastructure works for Liantang/Heung Yuen Wai boundary control point and retrofitting of noise barriers on Tuen Mun Road, leading to delays in the commencement or execution of such construction jobs and in turn leading to a decrease in demand for our products and the aforesaid construction jobs have already commenced work in the year ended March 31, 2016 which we have supplied products to the relevant construction and foundation companies engaged in these projects; and (b) a decrease in overseas sales when we re-evaluated our overseas sales approach to adopt a

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distributorship model and appointed our exclusive Scandinavian distributor, which we believe will enhance our reputation and streamline our promotion efforts in Scandinavia, although we experienced a short term decrease in sales for the year.

Revenue by segment

Revenue from manufacturing and trading of DTH rockdrilling tools for the year ended March 31, 2015 decreased by approximately HK\$10.8 million, or 10.3%, from approximately HK\$105.2 million for the year ended March 31, 2014 to approximately HK\$94.4 million for the year ended March 31, 2015, primarily due to the delay in funding approvals for construction jobs in Hong Kong, and a decrease in overseas sales when we remodeled our overseas sales approach.

Revenue from trading of piling and drilling machineries for the year ended March 31, 2015 was approximately HK\$17.6 million, a decrease of approximately 11.1%, compared to approximately HK\$19.8 million for the year ended March 31, 2014, resulting from a decrease in trading of such machineries in anticipation of the introduction of the NRMM Regulation in 2015.

Revenue from trading of rockdrilling equipment for the year ended March 31, 2015 decreased by approximately HK\$11.0 million, or 43.0%, from approximately HK\$25.6 million for the year ended March 31, 2014 to approximately HK\$14.6 million for the year ended March 31, 2015, primarily due to the delay in funding approvals for construction jobs in Hong Kong, and a decrease in overseas sales when we remodeled our overseas sales approach.

Revenue by geographical location

Our revenue derived from Hong Kong for the year ended March 31, 2015 decreased by approximately HK\$19.5 million, or 14.5%, from approximately HK\$134.3 million for the year ended March 31, 2014 to approximately HK\$114.8 million for the year ended March 31, 2015, mainly because of the delay in funding approvals for construction jobs in Hong Kong.

Our revenue derived from Macau for the year ended March 31, 2015 increased by approximately HK\$0.9 million, or 14.5%, from approximately HK\$6.2 million for the year ended March 31, 2014 to approximately HK\$7.1 million for the year ended March 31, 2015.

Our revenue derived from other areas, including Scandinavia and Japan for the year ended March 31, 2015 decreased by approximately HK\$5.3 million, or 53.0%, from approximately HK\$10.0 million for the year ended March 31, 2014 to approximately HK\$4.7 million for the year ended March 31, 2015, mainly due to decrease in sales to Scandinavia by approximately HK\$6.3 million. This was the result of our decision to re-evaluate our overseas sales approach to adopt a distributorship model and appoint our exclusive Scandinavian distributor, which we believe will enhance our reputation and streamline our promotion efforts in Scandinavia, although we experienced a short term decrease in sales for the year.

Cost of sales

Our cost of sales decreased by approximately HK\$26.5 million, or 26.8%, from approximately HK\$98.8 million for the year ended March 31, 2014 to approximately HK\$72.3 million for the year ended March 31, 2015. The primary contributing components included a decrease of approximately HK\$6.0 million in the cost of trading goods sold, the 2014 Processing Charges and a decrease of

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approximately HK\$10.2 million in net change in self-manufacturing inventories, offset by an increase in purchase discounts of approximately HK\$3.3 million provided by our Japanese supplier of piling and drilling machineries.

Our purchase of raw materials remained stable, from approximately HK\$30.9 million for the year ended March 31, 2014 to approximately HK\$31.9 million for the year ended March 31, 2015.

Our cost of trading goods sold decreased by approximately HK\$6.0 million, or 20.9%, from approximately HK\$28.7 million for the year ended March 31, 2014 to approximately HK\$22.7 million for the year ended March 31, 2015, primarily due to a decrease in the amount of the trading of such equipment.

Our cost of labor increased by approximately HK\$1.1 million, or 20.8%, from approximately HK\$5.3 million for the year ended March 31, 2014 to approximately HK\$6.4 million for the year ended March 31, 2015, primarily due to an increase in headcount of our production staff and rising salaries in the PRC.

Gross profit and gross profit margin

Our Group's gross profit increased by approximately HK\$2.6 million, or 5.0%, from approximately HK\$51.8 million for the year ended March 31, 2014 to approximately HK\$54.4 million for the year ended March 31, 2015. Gross profit margin improved from approximately 34.4% for the year ended March 31, 2014 to approximately 42.9% for the year ended March 31, 2015. Our Group's improvement in gross profit margin is mainly attributable to the decrease in cost of sales, due mainly to the incurrence of the 2014 Processing Charges.

Our gross profit margin for manufacturing and trading of DTH rockdrilling tools increased from approximately 33.4% for the year ended March 31, 2014 to approximately 47.5% for the year ended March 31, 2015, due mainly to a decrease in cost of sales attributable to the incurrence of the 2014 Processing Charges. Our gross profit margin for trading of piling and drilling machineries decreased from approximately 39.1% for the year ended March 31, 2014 to approximately 32.3% for the year ended March 31, 2015, due mainly to exchange rate fluctuations affecting the value at which we booked our corresponding purchase of trading goods sold. Gross profit margin for trading of rockdrilling equipment decreased from approximately 35.0% for the year ended March 31, 2014 to approximately 26.3% for the year ended March 31, 2015, due mainly to lower margins for sale of such equipment generally.

Other income

Other income decreased by approximately HK\$0.8 million, or 47.1%, from approximately HK\$1.7 million for the year ended March 31, 2014 to approximately HK\$0.9 million for the year ended March 31, 2015, primarily due to a decrease of approximately HK\$1.1 million in rental income derived from our rental of piling and drilling machines and equipment to our customers in the year ended March 31, 2015.

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Other gains and losses

Other gains and losses represents impairment losses recognized on trade receivables, net foreign exchange gain or losses, gain on disposal of property, plant and equipment and gain on fair value change of derivative financial instruments. Our Group made a loss of approximately HK\$0.3 million for the year ended March 31, 2015, compared to a loss of approximately HK\$1.8 million for the year ended March 31, 2014. The decrease in loss of approximately HK\$1.5 million, or 83.3%, was mainly attributable to a foreign exchange gain of approximately HK\$0.6 million in the year ended March 31, 2015, as compared to a foreign exchange loss of approximately HK\$1.5 million in the year ended March 31, 2014.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$0.2 million, or 5.6%, from approximately HK\$3.6 million for the year ended March 31, 2014 to approximately HK\$3.8 million for the year ended March 31, 2015. The primary contributing components to the increase in selling and distribution expenses in the year ended March 31, 2015 included an increase in consultancy fees of HK\$0.4 million payable to our Scandinavian distributor for providing technical support and advice on a project in Hong Kong.

Administrative expenses

Our administrative expenses increased by approximately HK\$1.2 million, or 6.8%, from approximately HK\$17.7 million for the year ended March 31, 2014 to approximately HK\$18.9 million for the year ended March 31, 2015. This slight increase in administrative expenses results from the increase in directors' remuneration.

Finance costs

Finance costs remained stable at approximately HK\$0.6 million for the year ended March 31, 2014 compared to approximately HK\$0.6 million for the year ended March 31, 2015.

Income tax expense

Our income tax expense increased by approximately HK\$0.5 million, from approximately HK\$4.8 million for the year ended March 31, 2014 to approximately HK\$5.3 million for the year ended March 31, 2015, due primarily to the increase in profit before tax in the year ended March 31, 2015. Our effective tax rate was approximately 16.8% for the year ended March 31, 2015, as compared to approximately 15.9% for the year ended March 31, 2014.

Profit for the year and net profit margin

As a result of the foregoing, our Group's profit for the year ended March 31, 2015 was approximately HK\$26.4 million, representing a year-on-year growth of approximately 5.2%. Our net profit margin increased to approximately 20.8% for the year ended March 31, 2015 as compared to approximately 16.7% for the preceding year. Even though our revenue decreased during this period, we

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recorded an improvement in net profit margin mainly attributable to: (i) savings resulting from the non-incurrence of the 2014 Processing Charges in the year ended March 31, 2015 and (ii) a decrease in cost of trading goods sold of approximately HK\$6.0 million.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

We finance our operations primarily through cash generated from operating activities and interest-bearing bank borrowings. As of March 31, 2014, 2015 and 2016 and June 30, 2016, we had cash and cash equivalents of approximately HK\$20.6 million, HK\$12.8 million, HK\$27.6 million and HK\$49.7 million, respectively.

We monitor our cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet our working capital needs while supporting a healthy level of business and our various growth strategies. In the future, we intend to finance our operations through cash generated from operating activities, interest-bearing bank borrowings, as well as through proceeds from the Public Offer.

Our Group had (i) unutilized bank facilities available (including bank loans) for use in an aggregate amount of approximately HK\$19.4 million as of October 31, 2016; (ii) approximately HK\$83.6 million, of net proceeds will be raised from the Public Offer; (iii) we had cash and cash equivalents of approximately HK\$18.7 million as of October 31, 2016; and (iv) subsequent settlement for trade and other receivables in respect of the balances as at June 30, 2016 up to the Latest Practicable Date amounted to approximately HK\$32.3 million, representing 94.7% of the balance of trade and other receivables as of June 30, 2016.

Taking into account the financial resources to our Group, including the internally generated funds, available banking facilities and the estimated net proceeds of the Public Offer, our Directors are of the view that our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

Working Capital Management

In our business operations, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in possible cash flow mismatch. For example, we have to incur payment obligation by ordering raw materials from our suppliers before we utilize the raw materials to produce our DTH rockdrilling tools and sell them to our customers. The extent of such cash flow mismatch is illustrated by the differences between our creditors' turnover days and our debtors' turnover days. For the three years ended March 31, 2014, 2015 and 2016, and the three months ended June 30, 2016, our creditors' turnover days were approximately 75.1 days, 70.2 days, 26.7 days and 31.8 days respectively and our debtors' turnover days were approximately 93.1 days, 106.5 days, 99.5 days and 134.9 days, respectively, which are further discussed in the sections headed "Financial information — Selected items of the consolidated statements of financial position — Trade and other payables" and "Financial information — Selected items of the consolidated statements of financial position — Trade and other receivables", respectively, in this prospectus.

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In order to manage our liquidity position in view of such possible cash flow mismatch, we have adopted the following measures:

- (i) Before entering into any transactions requiring significant outlays of cash, our finance department led by our financial controller, Mr. Jonathan Edward Chun-chung Chow, whose experience and qualifications are disclosed in the section headed “Directors and Senior Management” in this prospectus, will prepare an analysis of the forecast amount and timing of cash inflows and outflows for the near future and our overall business operations so as to ensure the sufficiency of our financial resources before entering into such transactions.
- (ii) Our finance department is also responsible for the monitoring of our cash flows and cash balance on a regular basis through the preparation of quarterly working capital forecasts which is further broken down into monthly cash inflows and outflows for effective identification of the monthly cash flow position of the Group, including surplus or shortage, in any month during a three-month duration, while supporting a healthy level of business and our various growth strategies. Management of the Group further monitors the cash flow position of the Group by reference to the cash flow statements, cash flow forecasts, management accounts and other management reports on an ongoing basis. It is the policy of the Group to maintain sufficient cash flow for at least four months of its working capital requirements, with banking facilities also maintained for unforeseen funding needs. During the Track Record Period, our cash and cash equivalents as of March 31, 2014, 2015 and 2016 and June 30, 2016 were approximately HK\$20.6 million, HK\$12.8 million, HK\$27.6 million and HK\$49.7 million, respectively, while our total trade and other receivables were approximately HK\$48.6 million, HK\$36.2 million, HK\$52.1 million and HK\$42.0 million, respectively, and our total trade and other payables were approximately HK\$29.2 million, HK\$11.5 million, HK\$13.0 million and HK\$19.7 million, respectively.
- (iii) While we extend credit periods of varying lengths to our customers, we actively monitor the payment status of our customers, including conducting regular reviews of our accounts and have in place systems and procedures for collecting receivables. The Group prepares accounts receivable aging analyzes on a monthly basis. Management regularly reviews the accounts receivable aging analysis to ascertain if there are any long outstanding receivables. The Group will assign designated credit control officers for customers with long outstanding receivables, who will regularly contact the debtors and also send payment reminders to the relevant debtors. The designated credit control officers regularly review the financial position of the debtors, and the credit limit and credit period of the relevant debtors are adjusted by the Group, if and when necessary. For debtors with long outstanding receivables, the Group may request for their settlement of the long overdue debts before acceptance of new orders from them.

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- (iv) We also maintain an inventory of raw materials and partly completed products that are frequently used in our manufacturing process as well as certain of our completed products. Such inventory level will be reviewed from time to time by reference to various factors as further described in the section headed “Our Business — Inventory Management” in this prospectus. Moreover, if we experience any shortages of cash, we may be able to rely on our existing inventory to meet production demands and delay orders of raw materials until such time as when our liquidity relaxes.
- (v) If, based on our regular monitoring by our finance department, there is any expected shortage of internal financial resources, we have internal controls requiring us to refrain from entering into any transactions involving capital expenditure and/or consider different financing alternatives, including but not limited to obtaining adequate committed lines of funding from banks and other financial institutions. We have obtained, and utilized, various banking facilities throughout the Track Record Period, and have not encountered difficulties in obtaining such banking facilities. As of October 31, 2016, we had total banking facilities of HK\$40.6 million, of which approximately HK\$19.4 million was unutilized. Such banking facilities, together with our cash and cash equivalents of approximately HK\$18.7 million as of October 31, 2016, the estimated net proceeds from the Public Offer of approximately HK\$83.6 million, and any cash generated from our business operations, offers various sources of funding for our working capital needs (and reduces the impact of any possible mismatch of cash inflows and outflows). Hence, our Directors believe that we have the working capital and financial resources to pay raw material costs, direct wages, other manufacturing costs, cost of piling and drilling machineries and rockdrilling equipment sourced from external suppliers, as well as our marketing costs, in order to meet our liquidity requirements and minimize the effect of possible cash flow mismatch associated with our business operations after the Listing.

Our Directors believe that by implementing the aforesaid measures, our Group would be able to ensure effective use of cash and avoid unnecessary lock-up of our working capital resources or cashflow mismatches.

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Cash flows

The following table sets forth a selected summary of our consolidated statements of cash flow for the periods indicated:

	For the year ended March 31,			For the three months ended June 30,	
	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>
				(unaudited)	
Cash and cash equivalents at beginning of the year/period	24,422	20,645	12,818	12,818	27,628
Net cash from operating activities	15,177	19,893	28,386	5,695	17,298
Net cash (used in) from investing activities	(7,560)	(12,166)	2,827	3,471	(953)
Net cash (used in) from financing activities	(11,433)	(15,566)	(16,201)	(11,740)	5,658
Net (decrease) increase in cash and cash equivalents	(3,816)	(7,839)	15,012	(2,574)	22,003
Effect of foreign exchange rate changes	39	12	(202)	67	68
	<u>39</u>	<u>12</u>	<u>(202)</u>	<u>67</u>	<u>68</u>
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	<u>20,645</u>	<u>12,818</u>	<u>27,628</u>	<u>10,311</u>	<u>49,699</u>

Net cash from operating activities

We derive our cash generated from operating activities principally from the receipt of payments from the sales of our products. Our cash used in operations principally comprises purchase of raw materials, purchase of piling and drilling machineries and rockdrilling equipment which we sell to our customers and payment for administrative costs.

For the three months ended June 30, 2016, we had net cash flow from operating activities of approximately HK\$17.3 million. Our net cash inflow was attributable to cash generated from operations of approximately HK\$18.5 million, which was offset by PRC EIT paid of approximately HK\$1.1 million and Hong Kong profit tax paid of approximately HK\$0.1 million. We incurred a loss before tax for cash generated from operations of approximately HK\$0.8 million primarily due to the incurrence of listing expenses of approximately HK\$9.6 million, offset by a gain on disposal of plant and equipment of approximately HK\$1.1 million, and adjusted by reconciliation of certain non-cash items and positive changes in working capital, including a decrease in trade and other receivables of approximately HK\$14.6 million and an increase in trade and other payables of approximately HK\$7.0 million, offset by an increase in inventories of approximately HK\$1.6 million.

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For the year ended March 31, 2016, we had net cash flow from operating activities of approximately HK\$28.4 million. Our net cash inflow was attributable to cash generated from operations of approximately HK\$37.2 million, which was offset by PRC EIT paid of approximately HK\$0.6 million and Hong Kong profit tax paid of approximately HK\$8.3 million. Our cash generated from operations primarily consisted of profit before tax of approximately HK\$42.9 million, adjusted by reconciliation of certain non-cash items and positive changes in working capital, including: (i) a decrease in year ended inventories level by approximately HK\$6.2 million; and (ii) an increase in sales during the year resulting in (a) an increase in trade and other payables of approximately HK\$2.0 million relating to purchases of raw materials, offset by (b) an increase in trade and other receivables of approximately HK\$15.9 million, partly due to sales in March 2016 which were to be settled after March 31, 2016.

For the year ended March 31, 2015, we had net cash flow from operating activities of approximately HK\$19.9 million. Our net cash inflow was attributable to cash generated from operations of approximately HK\$23.2 million, which was offset by PRC EIT paid of approximately HK\$0.5 million and Hong Kong profit tax paid of approximately HK\$2.8 million. Our cash generated from operations primarily consisted of profit before tax of approximately HK\$31.7 million, resulting from a decrease in trade and other receivables of approximately HK\$11.6 million, due in part to the settlement of bills by Customer A of approximately HK\$4.8 million in the first quarter of the year ended March 31, 2015. The positive change in working capital was offset by: (i) an increase in inventories of approximately HK\$5.2 million; and (ii) a decrease in trade and other payables of approximately HK\$17.8 million due to the settlement of the 2014 Processing Charges as well as a decrease in payables relating to the purchase of piling and drilling machineries from our Japanese supplier.

For the year ended March 31, 2014, we had net cash flow from operating activities of approximately HK\$15.2 million. Our net cash inflow was attributable to cash generated from operations of approximately HK\$22.3 million, which was offset by PRC EIT paid of approximately HK\$0.5 million and Hong Kong profit tax paid of approximately HK\$6.6 million. Our cash generated from operations primarily consisted of profit before tax of approximately HK\$29.9 million, resulting from an increase in trade and other payables relating to the 2014 Processing Charges. The positive change in working capital was offset by: (i) an increase in inventories of approximately HK\$1.1 million; and (ii) an increase in trade and other receivables of approximately HK\$11.6 million due to sales in March 2014 which were to be settled after March 31, 2014.

Net cash from investing activities

Our cash used in investing activities is primarily for payments for acquisition of items of property, plant and equipment. Our cash generated from investing activities consist primarily of withdrawal of pledged bank deposits.

For the three months ended June 30, 2016, our net cash used in investing activities was approximately HK\$1.0 million. Our net cash used in investing activities mainly consisted of payments for purchase of property, plant and equipment of approximately HK\$2.4 million and payments for the Post Reorganization Acquisitions of approximately HK\$0.5 million, partly offset by proceeds from disposal of property, plant and equipment of approximately HK\$1.9 million.

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For the year ended March 31, 2016, our net cash flow from investing activities was approximately HK\$2.8 million. Our net cash inflow from investing activities mainly consisted of withdrawal of pledged bank deposit of approximately HK\$3.9 million and decrease of fixed bank deposits of approximately HK\$1.0 million and repayment from shareholders of approximately HK\$4.2 million, partly offset by payments for purchase of property, plant and equipment of approximately HK\$4.4 million and advance to related parties of approximately HK\$2.9 million.

For the year ended March 31, 2015, our net cash flow used in investing activities was approximately HK\$12.2 million. Our net cash outflow from investing activities mainly consisted of payments for purchase of property, plant and equipment of approximately HK\$5.0 million, placement of pledged bank deposit of approximately HK\$3.9 million.

For the year ended March 31, 2014, our net cash flow used in investing activities was approximately HK\$7.6 million. Our net cash outflow from investing activities mainly consisted of payments for purchase of property, plant and equipment of approximately HK\$4.5 million and advance to related parties of approximately HK\$3.6 million offset by repayment from related parties and a director of approximately HK\$0.2 million and HK\$0.3 million, respectively.

Net cash used in financing activities

Our cash used in financing activities is primarily for repayment of bank borrowing and dividends paid. Our cash generated from financing activities consist primarily of new borrowings raised and proceeds of issue of shares.

For the three months ended June 30, 2016, our net cash inflow from financing activities was approximately HK\$5.7 million. Our net cash inflow from financing activities consisted of new borrowings raised of approximately HK\$16.8 million, offset by repayment of bank borrowing of approximately HK\$5.0 million, interest paid of approximately HK\$0.1 million, repayments to shareholders and a director of approximately HK\$0.8 million and HK\$1.2 million, respectively, and listing expenses paid of approximately HK\$4.0 million.

For the year ended March 31, 2016, our net cash flow used in financing activities was approximately HK\$16.2 million. Our net cash outflow from financing activities consisted of repayment of bank borrowing of approximately HK\$19.4 million, interest paid of approximately HK\$0.4 million, an increase in amounts due from shareholders and related parties of approximately HK\$2.0 million and HK\$6.9 million, respectively, partially offset by new borrowings raised of approximately HK\$9.0 million and advance from a non-controlling shareholder of approximately HK\$2.5 million and advance from directors of approximately HK\$1.2 million.

For the year ended March 31, 2015, our net cash flow used in financing activities was approximately HK\$15.6 million. Our net cash outflow from financing activities consisted of repayment of bank borrowing of approximately HK\$5.1 million, dividends paid of approximately HK\$24.0 million, interest paid of approximately HK\$0.6 million, repayment of advance from shareholders of HK\$17.1 million, repayment of advance from related parties of approximately HK\$3.4 million, partially offset by new borrowings raised of approximately HK\$10.7 million, proceeds of issue of shares of approximately HK\$4.0 million and advance from related parties of approximately HK\$3.5 million.

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For the year ended March 31, 2014, our net cash flow used in financing activities was approximately HK\$11.4 million. Our net cash outflow from financing activities consisted of repayment of bank borrowing of approximately HK\$4.6 million, dividends paid of approximately HK\$12.0 million, interest paid of approximately HK\$0.6 million, repayment of advance from a shareholder of HK\$12.5 million and repayment of advance from related parties of approximately HK\$8.6 million, partially offset by new borrowings raised of approximately HK\$4.6 million, proceeds of issue of shares of approximately HK\$4.0 million and advance from shareholders and related parties of approximately HK\$9.1 million and HK\$9.2 million.

SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

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

	Furniture, fixtures and office equipment	Motor vehicles	Plant and machineries	Leasehold improvement	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of					
March 31, 2014	<u>747</u>	<u>463</u>	<u>11,796</u>	<u>318</u>	<u>13,324</u>
March 31, 2015	<u>718</u>	<u>1,290</u>	<u>12,922</u>	<u>416</u>	<u>15,346</u>
March 31, 2016	<u>807</u>	<u>949</u>	<u>11,234</u>	<u>259</u>	<u>13,249</u>
June 30, 2016	<u>1,987</u>	<u>801</u>	<u>9,199</u>	<u>804</u>	<u>12,791</u>

As shown in the table above, our Group's property, plant and equipment consist mainly of plant and machineries. We purchased our plant and machineries mainly with shareholders' capital injections. Plant and machineries are primarily the various types of machineries and equipment at our production site at our Shunde factory, including CNC lathes, CNC machine centers, drilling machines, conventional lathes, milling machines, slotting machines, grinding machines, sand blasting machines and oven machines.

The plant and machineries had a carrying amount of approximately HK\$11.8 million as of March 31, 2014, which slightly increased to approximately HK\$12.9 million as of March 31, 2015 due to the purchase of new machineries during the year. The carrying amount of plant and machineries then decreased to approximately HK\$11.2 million as of March 31, 2016 mainly due to depreciation, and further to approximately HK\$9.2 million as of June 30, 2016 mainly due to a disposal of a machine and also depreciation.

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For further details of the machinery and equipment for our Group's operations, please refer to the paragraphs headed "Our Business — Our Business Model — Manufacturing — Manufacturing Facilities" in this prospectus.

Inventories

Our inventories consisted of raw materials and consumables, work in progress and finished goods. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The following table sets forth the details of our inventories as of the dates indicated:

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
Raw materials and consumables	8,588	12,257	11,968	12,264
Work in progress	2,798	4,068	1,011	4,280
Finished goods	<u>16,921</u>	<u>18,981</u>	<u>16,744</u>	<u>14,582</u>
Total	<u><u>28,307</u></u>	<u><u>35,306</u></u>	<u><u>29,723</u></u>	<u><u>31,126</u></u>

Our inventories increased from approximately HK\$28.3 million as of March 31, 2014 to approximately HK\$35.3 million as of March 31, 2015 because of a stockpiling of raw materials and consumables, work in progress and finished goods due to a slow down in demand resulting from delays in funding approvals for construction jobs in Hong Kong. Our inventories decreased from approximately HK\$35.3 million as of March 31, 2015 to approximately HK\$29.7 million as of March 31, 2016 primarily because of an increase in sales and a decrease in previous stockpiled inventory. Our inventories increased from approximately HK\$29.7 million as of March 31, 2016 to approximately HK\$31.1 million as of June 30, 2016.

The composition of raw materials, work in progress and finished goods vary depending our production schedules. As of the Latest Practicable Date, HK\$23.2 million or 74.4% of our inventories has been used or consumed subsequent to June 30, 2016.

The following table sets out our average inventory on finished goods and inventory turnover days on finished goods during the Track Record Period:

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
Average inventory on finished goods ⁽¹⁾	15,524	17,951	17,863	15,663
Turnover of average inventory (days) on finished goods ⁽²⁾	57.3 days	90.7 days	83.0 days	94.6 days ⁽³⁾

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Notes:

- (1) Average inventory on finished goods equals finished goods at the beginning of the year/period plus finished goods at the end of the year/period, divided by two.
- (2) Turnover of average inventory days on finished goods is calculated by dividing the average inventory on finished goods by cost of sales of the relevant year/period, multiplying the resulting value by 365 days and annualized, where applicable.
- (3) This figure is for reference only and maybe potentially misleading as the underlying income statement measures (namely cost of sales) do not reflect a full year of results of operations.

The turnover of average inventory on finished goods of 90.7 days in the year ended March 31, 2015 increased from 57.3 days for the year ended March 31, 2014 because of a decrease in demand for our traded products, due in part to a slowdown in demand for our products resulting from delays in funding approvals for construction jobs in Hong Kong and also a decrease in cost of sales resulting from the non-incurrence of the 2014 Processing Charges. The turnover of average inventory on finished goods decreased to 83.0 days in the year ended March 31, 2016. The turnover of average inventory of finished goods increased to 94.6 days for the three months ended June 30, 2016 due to (a) a slowdown in demand for our products during this period following increased sales in March 2016 and our customers worked through their inventories and (b) based on our discussions with our Indian distributor as to anticipated demand for our products with reference to the progress of projects in India, we have produced and kept in reserve inventory in anticipation of sales to our Indian distributor.

Please refer to the paragraph headed “Our Business — Inventory Management” in this prospectus for details of our inventory management policies.

Trade and other receivables

Our trade and other receivables consisted of (i) trade receivables; (ii) other receivables; (iii) deposits; (iv) prepayments; and (v) value added tax recoverable. The following table sets out the break down of trade and other receivables as of the dates indicated:

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
				<i>HK\$'000</i>
Trade receivables	44,553	29,325	47,936	34,168
Other receivables				
— Other receivables	133	69	104	668
— Deposits	567	2,453	819	925
— Prepayments and deferred listing expenses	790	1,217	1,015	5,215
— Value-added tax recoverable	2,549	3,095	2,232	1,052
	<u>48,592</u>	<u>36,159</u>	<u>52,106</u>	<u>42,028</u>
Total trade and other receivables	<u>48,592</u>	<u>36,159</u>	<u>52,106</u>	<u>42,028</u>

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As shown in the table above, our Group's trade and other receivables consist mainly of trade receivables. Our Group grants an average credit period from 30 days to 90 days upon delivery of goods to its customers.

Our trade receivables decreased from approximately HK\$44.6 million as of March 31, 2014 to approximately HK\$29.3 million as of March 31, 2015 due to a decrease in the sales of our products during the year ended March 31, 2015, in particular a decrease in sales during the month of March 2015 as compared to sales for March 2014.

Our trade receivables increased from approximately HK\$29.3 million as of March 31, 2015 to approximately HK\$47.9 million as of March 31, 2016 mainly due to an increase in the sales of our products towards the end of the financial year in March 2016, representing trade receivables which had not yet been settled as of the year end date.

Our trade receivables decreased from approximately HK\$47.9 million as of March 31, 2016 to approximately HK\$34.2 million as of June 30, 2016, primarily due to settlement of sales towards the end of the financial year in March 2016 which represented trade receivables outstanding as at March 31, 2016.

We seek to maintain strict control over our outstanding trade receivables to minimize credit risk. Our management closely monitors the credit quality of trade receivables. Our Group does not hold any collateral over our trade receivables balances. We perform credit quality assessment periodically on our customers for determination and review of the appropriateness of the credit limits and credit approvals mainly based on the customers' history of operation, reputation of the customers in the industry and its repayment history. Our finance and accounting department and the management and business development team (which includes our Executive Directors) are responsible for taking follow-up action to recover overdue debts.

The following table sets out our aging analysis of trade receivables from clients, presented based on invoice dates (net of allowance for doubtful debts), as of the dates indicated:

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
				<i>HK\$'000</i>
0 to 30 days	12,520	8,413	23,241	13,625
31 to 60 days	9,931	4,469	12,281	5,733
61 to 90 days	3,727	3,481	2,295	3,828
91 to 180 days	6,422	4,047	3,661	4,140
181 days to 1 year	5,303	4,265	4,646	4,097
Over 1 year	6,650	4,650	1,812	2,745
	44,553	29,325	47,936	34,168

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Trade receivables that are neither past due nor impaired relates to a wide range of customers for whom there was no history of default. The trade receivables that were past due but not impaired as of March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016 were approximately HK\$18.6 million, HK\$12.2 million, HK\$9.3 million and HK\$10.7 million, respectively. For such trade receivables, we are of the view that there is no change in the credit quality control as there is no significant impairment noted during the past period and those trade receivables which are past due but not impaired are considered highly recoverable. During the years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016, trade receivables of HK\$0.4 million, HK\$0.9 million, nil and nil, respectively, were impaired and written off as they proved to be uncollectible.

As of the Latest Practicable Date, approximately HK\$44.6 million, or, 100.0%, HK\$29.2 million or 99.7%, HK\$46.9 million, or 97.8% and HK\$32.3 million, or 94.7% of our trade receivables for each of the year ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016, respectively, were settled.

The following table sets out the debtor's turnover days for the year/period indicated:

	Year ended March 31,			For the three months ended June 30,
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Average trade receivables ⁽¹⁾	38,423	36,939	38,631	41,052
Debtors' turnover days ⁽²⁾	93.1 days	106.5 days	99.5 days	134.9 days ⁽³⁾

Notes:

- (1) Average trade receivables, net of impairment equals trade receivables, net of impairment at the beginning of the year/period plus trade receivables, net of impairment as of the end of the year/period, divided by two.
- (2) Debtors' turnover days is calculated by the average trade receivables, net of impairment, as of the respective year/period ended divided by the total revenue for the year/period and multiplied by 365 and annualized, where applicable.
- (3) The debtors' turnover days for the three months ended June 30, 2016 was calculated by the trade receivables balance as of June 30, 2016 divided by the annualized amount of revenue for the three months ended June 30, 2016. As the annualized sales may not reflect the actual sales of the year and may be potentially misleading, the number of the turnover days is for reference only.

During the Track Record Period, we generally granted our customers credit period ranging from 30 to 90 days upon delivery. Our debtors' turnover days were approximately 93.1 days, 106.5 days, 99.5 days and 134.9 days for each of the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. Our debtors' turnover days for the seven months ended October 31, 2016 as based on our unaudited management accounts decreased to approximately 116.1 days.

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Our debtors' turnover days for the year ended March 31, 2015 was affected by the delay in funding approvals for construction jobs in Hong Kong and slowdown in the construction work progress, and led to difficulties in the operating environment of the foundation and construction industry, leading to constraints to our customers' businesses and cash flows and difficulty in meeting our payment schedules as originally agreed, thus increasing the amount of trade receivables outstanding when compared with the revenue we recorded for the same period. Moreover, we also recorded a comparatively lower revenue for the year ended March 31, 2015, which led to a higher debtors' turnover days for the year.

In particular, our debtors' turnover days for the years ended March 31, 2015 have also been affected by particular incidents where two of our customers, one of which was Customer A and the other who was not a top five customer during the Track Record Period, took a longer time than the credit period under the particular sales contracts or invoices to settle the amounts due to us, being approximately HK\$4.8 million and HK\$2.2 million, respectively, for 265 days and 284 days after their respective credit terms, as there were specific incidents causing delays to their projects which were not expected when making their respective orders, namely (x) the unexpected delay in construction of Sha Tin to Central Link of Mass Transit Railway arising from the discovery of a historical heritage site during the course of construction; and (y) the unexpected delay in construction of the residential property situated in Tsuen Wan West Mass Transit Railway Station arising from a personal injury incident as reported by the relevant customer. Taking into consideration that (i) such customers have historically settled the amounts due to us where no bad debts had been recognized; and (ii) such customers had business relationships with us of around seven years, we considered the recoverability of the relevant receivables is high and subsequently, these receivables were fully settled as of September 30, 2015.

The calculation of our debtors' turnover days for the three months ended June 30, 2016 was affected by the uneven timing in the inflow of sales orders, where a large sales volume to our largest customer in June 2016 which resulted in an increase in trade receivables, which were subsequently settled post June 30, 2016. This led to higher than usual trade receivables figures as at June 30, 2016, leading to the calculation of higher average trade receivables for the three months ended June 30, 2016, which coupled with a lower revenue figure for the same period, led to higher debtors' turnover days calculated for the period.

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Trade and other payables

The following table sets forth a breakdown of trade and other payables as of the dates indicated:

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Trade payables	22,499	5,285	6,203	4,331
Payable for acquisition of property, plant and equipment	2,450	2,515	—	—
Accrued expenses	3,628	2,355	2,187	3,399
Accrued listing expenses	—	—	800	8,183
Accrued housing provident fund	467	797	1,084	1,053
Other payable due to a non-controlling shareholder of a subsidiary	—	—	2,500	2,500
Other payables	<u>128</u>	<u>519</u>	<u>206</u>	<u>264</u>
Total trade and other payables	<u>29,172</u>	<u>11,471</u>	<u>12,980</u>	<u>19,730</u>

Our trade and other payables amounted to approximately HK\$29.2 million, HK\$11.5 million, HK\$13.0 million and HK\$19.7 million as of March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016, respectively.

Our trade payables mainly represented amounts payable to our suppliers, from whom we purchased raw materials for our self-manufactured DTH rockdrilling tools, as well as piling and drilling machineries and equipment.

Our trade payables decreased from approximately HK\$22.5 million as of March 31, 2014 to approximately HK\$5.3 million as of March 31, 2015 due to the settlement of trade payables of approximately HK\$17.2 million including the 2014 Processing Charge and the settlement of the purchase price of piling and drilling machineries purchased from our Japanese supplier.

Our trade payables increased from approximately HK\$5.3 million as of March 31, 2015 to approximately HK\$6.2 million as of March 31, 2016 mainly because of the increase in purchase of raw materials in the three months ended March 31, 2016.

Our trade payables decreased from approximately HK\$6.2 million as of March 31, 2016 to approximately HK\$4.3 million as of June 30, 2016, primarily due to the settlement of invoices from various suppliers during this period.

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The following table sets out the aging analysis of our trade payables as of the end of each of the reporting dates presented based on the invoice dates:

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
0 to 30 days	4,731	4,973	3,364	2,148
31 to 60 days	4,443	9	2,129	895
61 to 90 days	2,648	201	105	687
91 to 180 days	2,374	53	535	575
181 days to 1 year	4,040	46	5	—
Over 1 year	4,263	3	65	26
	<u>22,499</u>	<u>5,285</u>	<u>6,203</u>	<u>4,331</u>

The average credit period of trade payables granted by our trade suppliers is from 30 to 60 days upon the issue of invoices. As of the Latest Practicable Date, approximately HK\$22.5 million, or 100.0%, HK\$5.3 million or 100.0%, HK\$6.2 million, or 100.0% and HK\$4.3 million, or 100.0% of our trade payables for each of the years ended March 31, 2014, 2015 and 2016 and the three months ended June 30, 2016, respectively, were settled.

The following table sets out the creditors' turnover days for the years/period indicated:

	Year ended March 31,			For the
	2014	2015	2016	three months
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	ended
Average trade payables ⁽¹⁾	20,323	13,892	5,744	5,267
Creditors' turnover days ⁽²⁾	75.1	70.2	26.7	31.8 ⁽⁴⁾
Adjusted creditors' turnover days ⁽³⁾	25.6	26.7	26.0	31.4 ⁽⁴⁾

Notes:

- (1) Average trade payables equals trade payables at the beginning of the year/period plus trade payables at the end of the year/period, divided by two.
- (2) Creditors' turnover days is calculated by the average trade payables as of the respective year ended/period divided by the cost of sales for the year/period and multiplied by 365 and annualized, where applicable.
- (3) Adjusted creditors' turnover days is calculated by excluding the outstanding balances for the 2014 Processing Charge of HK\$10.0 million and outstanding balances to our Japan supplier for piling and drilling machineries of HK\$7.0 million as of March 31, 2014 and March 31, 2015, respectively, from the average trade payables as of the respective year/period ended divided by the cost of sales for the year/period and multiplied by 365 and annualized, where applicable.

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- (4) This figure is for reference only and maybe potentially misleading as the underlying income statement measures (namely cost of sales) do not reflect a full year of results of operations.

Our creditors' turnover days were approximately 75.1 days, 70.2 days, 26.7 days and 31.8 days for each of the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. Our creditors' turnover days was affected by outstanding balances for the 2014 Processing Charge and outstanding balances to our Japan supplier for piling and drilling machineries as of March 31, 2014 and March 31, 2015, respectively. Removing the effect of such outstanding balances from our creditors' turnover days, our adjusted creditors' turnover days remained consistent at approximately 25.6 days, 26.7 days, 26.0 days and 31.4 days as of each of March 31, 2014, 2015 and 2016 and June 30, 2016, respectively.

Our Directors confirm that we did not have material defaults in payment of trade and other payables during the Track Record Period.

CURRENT ASSETS AND LIABILITIES

The table below sets out the components of our current assets, current liabilities and net current assets as of the dates indicated:

	As of March 31,			As of	As of
	2014	2015	2016	June 30, 2016	October 31, 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current assets					
Inventories	28,307	35,306	29,723	31,126	31,057
Trade and other receivables	48,592	36,159	52,106	42,028	51,039
Amounts due from shareholders	461	4,158	—	—	—
Amount due from a director	1,469	—	—	—	—
Amounts due from related parties	3,443	4,439	6,341	6,341	—
Tax recoverable	417	475	—	481	194
Bank deposits	1,011	4,919	—	—	—
Bank balances and cash	<u>20,645</u>	<u>12,818</u>	<u>27,628</u>	<u>49,699</u>	<u>18,655</u>
Total current assets	<u>104,345</u>	<u>98,274</u>	<u>115,798</u>	<u>129,675</u>	<u>100,945</u>

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	As of March 31,			As of	As of
	2014	2015	2016	June 30, 2016	October 31, 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current liabilities					
Trade and other payables	29,172	11,471	12,980	19,730	10,619
Amount due to a shareholder	577	—	5,839	5,008	—
Amounts due to directors	—	10	1,212	10	—
Amounts due to related parties	6,819	6,903	4	4	—
Tax payable	6,099	8,009	6,455	7,414	9,782
Bank borrowings	<u>11,319</u>	<u>16,828</u>	<u>6,423</u>	<u>18,211</u>	<u>19,060</u>
Total current liabilities	<u><u>53,986</u></u>	<u><u>43,221</u></u>	<u><u>32,913</u></u>	<u><u>50,377</u></u>	<u><u>39,461</u></u>
Net current assets	<u><u>50,359</u></u>	<u><u>55,053</u></u>	<u><u>82,885</u></u>	<u><u>79,298</u></u>	<u><u>61,484</u></u>

Total current assets decreased by approximately 22.2% from approximately HK\$129.7 million as of June 30, 2016 to approximately HK\$100.9 million (unaudited) as of October 31, 2016, primarily because of a decrease in bank balances and cash as a result of settlement of trade and other payables and the payment of dividends of HK\$29.0 million declared in July 2016, as well as a decrease in amounts due from related parties, notwithstanding an increase in trade and other receivables.

Total current liabilities decreased by approximately 21.6% from approximately HK\$50.4 million as of June 30, 2016 to approximately HK\$39.5 million (unaudited) as of October 31, 2016, primarily because of decreases in trade and other payables and amount due to a shareholder, even though there was a slight increase in tax payables and also bank borrowings.

Total current assets increased by approximately 12.0% from approximately HK\$115.8 million as of March 31, 2016 to approximately HK\$129.7 million as of June 30, 2016, primarily because of an increase in bank balances and cash as a result of settlement of trade and other receivables and also the drawdown of bank loans.

Total current liabilities increased by approximately 53.2% from approximately HK\$32.9 million as of March 31, 2016 to approximately HK\$50.4 million as of June 30, 2016, primarily because of increases in bank borrowings, tax payables and trade and other payables.

Total current assets increased by approximately 17.8% from approximately HK\$98.3 million as of March 31, 2015 to approximately HK\$115.8 million as of March 31, 2016, primarily because of an increase in trade and other receivables of approximately HK\$15.9 million and an increase in bank balances and cash of approximately HK\$14.8 million as a result of an increase in sales, partially off set by a decrease in inventories of approximately HK\$5.6 million, also as a result of increased sales.

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Total current liabilities decreased by approximately 23.8% from approximately HK\$43.2 million as of March 31, 2015 to approximately HK\$32.9 million as of March 31, 2016, primarily because of a decrease in amounts due to related parties of approximately HK\$6.9 million being the cessation of rental of plant and machinery for production purposes from a related party and a decrease in bank borrowings of approximately HK\$10.4 million.

Total current assets decreased by approximately 5.8% from approximately HK\$104.3 million as of March 31, 2014 to approximately HK\$98.3 million as of March 31, 2015, primarily because of a decrease in trade and other receivables of approximately HK\$12.4 million and a decrease in bank balances and cash of approximately HK\$7.8 million as a result of a decrease in sales, partially off set by a increase in inventories of approximately HK\$7.0 million, also as a result of decreased sales.

Total current liabilities decreased by approximately 20.0% from approximately HK\$54.0 million as of March 31, 2014 to approximately HK\$43.2 million as of March 31, 2015, primarily because of a decrease in trade and other payables of approximately HK\$17.7 million as a result of a decrease in purchases of raw materials, piling and drilling machineries and rockdrilling equipment for trading due to a decrease in sales, partially off set by a increase in bank borrowings of approximately HK\$5.5 million.

NON-CURRENT ASSETS AND LIABILITIES

The table below sets out the components of our non-current assets and non-current liabilities as of the dates indicated:

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
				<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	13,324	15,346	13,249	12,791
Deposits paid for acquisition of property, plant and equipment	153	143	114	455
Total non-current assets	13,477	15,489	13,363	13,246

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
				<i>HK\$'000</i>
Non-current liabilities				
Deferred tax liabilities	133	308	172	158
Total non-current liabilities	133	308	172	158

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RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 29 of Section E of the Accountants' Report in Appendix I to this prospectus, our Directors believe that such transactions were at arm's length basis and on normal commercial terms, and such terms were no less favorable 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.

INDEBTEDNESS

As of October 31, 2016, we had outstanding borrowings of approximately HK\$19.1 million. The following table sets out our Group's indebtedness as of the respective financial position dates:

	As of March 31,			As of June 30,	As of October 31,
	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>
Indebtedness					(unaudited)
Amounts due to shareholders	577	—	5,839	5,008	—
Amounts due to directors	—	10	1,212	10	—
Amounts due to related parties	6,819	6,903	4	4	—
Bank borrowings	11,319	16,828	6,423	18,211	19,060
 Total	18,715	23,741	13,478	23,233	19,060

The amounts due to shareholders principally represented advances from shareholders for financing the daily operations of our Group which were unsecured, non-interest bearing and are repayable on demand.

The amounts due to directors principally represented advances from directors which were unsecured, non-interest bearing and are repayable on demand. Our amounts due to directors increased from nil as of March 31, 2014 to approximately HK\$10,000 as of March 31, 2015, and increased from approximately HK\$10,000 as of March 31, 2015 to approximately HK\$1.2 million as of March 31, 2016, primarily due to an increase in advances by our Directors. Our amounts due to directors decreased to approximately HK\$10,000 as of June 30, 2016.

The amounts due to related parties are of a non-trade nature, unsecured, non-interest bearing and repayable on demand. Our amounts due to related parties increased from approximately HK\$6.8 million as of March 31, 2014 to approximately HK\$6.9 million as of March 31, 2015, and decreased from approximately HK\$6.9 million as of March 31, 2015 to approximately HK\$4,000 as of March 31, 2016, mainly due to the cessation of rental of plant and machinery for production purposes from a related party. The outstanding balances of the amounts due to directors and related parties amount to approximately HK\$14,000 as of June 30, 2016.

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Save as disclosed in this paragraph headed “Indebtedness” and the paragraph headed “Contingent Liabilities”, as of October 31, 2016, the Group did not have any other outstanding mortgages or charges, borrowings or indebtedness including bank overdrafts, loans or debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding or other material contingent liabilities. Save as disclosed in this prospectus, the Group has no existing plan on making additional external debt financing.

Bank borrowings

The following table sets forth a breakdown of our bank borrowings as of the dates indicated:

	As of March 31,			As of	As of
	2014	2015	2016	June 30,	October 31,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Bank borrowings					
Bank loan, unsecured and guaranteed	8,518	6,173	3,709	—	—
Bank loan, secured and guaranteed	—	—	—	13,000	13,923
Trust receipt loans, secured	2,801	10,655	2,714	—	—
Trust receipt loans, secured and guaranteed	—	—	—	5,211	666
Trust recipient loans, unsecured and guaranteed	—	—	—	—	4,471
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>11,319</u>	<u>16,828</u>	<u>6,423</u>	<u>18,211</u>	<u>19,060</u>

Our bank borrowings as of March 31, 2014, March 31, 2015 and March 31, 2016 include amounts of approximately HK\$8.5 million, HK\$6.2 million and HK\$3.7 million which are personally guaranteed by Mr. Kenneth Chan and Mr. Alan Chan.

As of March 31, 2014, March 31, 2015 and March 31, 2016 our secured trust receipt loan amounted to approximately HK\$2.8 million, HK\$10.7 million and HK\$2.7 million, secured by deposits held by Mr. Kenneth Chan of HK\$0.5 million and a pledge of property held by a related company, Top Champion Industries Limited.

Our bank borrowings and our secured trust receipt loan as of June 30, 2016, amounting to approximately HK\$13.0 million and HK\$5.2 million, respectively, were secured by deposits held by Mr. Kenneth Chan of HK\$0.5 million and a pledge of property held by a related company, Top Champion Industries Limited, as well as personal guarantees from Mr. Kenneth Chan and Mr. Alan Chan.

Our bank borrowings and our secured trust receipt loan as of October 31, 2016, amounting to approximately HK\$13.9 million and HK\$0.7 million, respectively, were secured by deposits held by Mr. Kenneth Chan of HK\$0.5 million, prepayments paid to an insurance company for life insurance policy of the Executive Directors and a pledge of property held by a related company, Top Champion Industries Limited, as well as personal guarantees from Mr. Kenneth Chan and Mr. Alan Chan. In

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addition, our trust receipt loans of approximately HK\$4.5 million were guaranteed by Mr. Kenneth Chan and Mr. Alan Chan. The deposits, pledges and personal guarantees will be released and replaced by a corporate guarantee provided by our Company upon Listing.

According to the repayment schedule, our bank borrowings are repayable as follows:

	As of March 31,			As of	As of
	2014	2015	2016	June 30,	October 31,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>	<i>2016</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Carrying amount repayable					
Within one year	5,146	13,119	5,304	11,549	14,581
In the second year	2,464	2,590	1,119	6,662	4,479
In the third to fifth years inclusive	<u>3,709</u>	<u>1,119</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>11,319</u>	<u>16,828</u>	<u>6,423</u>	<u>18,211</u>	<u>19,060</u>
Amount included under current liabilities (including bank loan with a repayable on demand clause)	<u>11,319</u>	<u>16,828</u>	<u>6,423</u>	<u>18,211</u>	<u>19,060</u>

Although our bank borrowings have been classified as current liabilities because they have a repayable on demand clause, such bank borrowings are in fact long term in nature.

The carrying amount of our bank borrowings are mainly denominated in Hong Kong dollars.

Our bank borrowings as of March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016 carry interest at prime rate or prime rate plus certain basis points.

Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowing, default in payment on bank borrowings, or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty for our Group in obtaining bank borrowing after the Latest Practicable Date.

COMMITMENT

As of March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, we had the following capital commitments:

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
				<i>HK\$'000</i>
Contracted but not provided for: property, plant and equipment	<u>18</u>	<u>7</u>	<u>38</u>	<u>88</u>

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Our Group had outstanding commitments in respect of future minimum lease payments under non-cancellable operating lease as of the following dates as indicated:

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
Within one year	524	1,129	3,357	3,126
In the second to fifth years inclusive	213	538	9,216	9,194
Over fifth years	—	—	17,271	16,210
	<u>737</u>	<u>1,667</u>	<u>29,844</u>	<u>28,530</u>

CONTINGENT LIABILITIES

As of October 31, 2016, save as disclosed in Note 33 of Section E of the Accountants' Report in Appendix I to this prospectus, which status remained unchanged as of October 31, 2016, we had no contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

Our Group did not enter into any material off-balance sheet transactions or arrangements as of the Latest Practicable Date.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily comprised of additions to property, plant and equipment in line with our business expansion. The following table sets forth details of our capital expenditures during the Track Record Period.

	As of March 31,			As of
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
Furniture, fixtures and office equipment	360	252	352	1,342
Motor vehicles	208	1,282	312	—
Plant and machinery	4,164	3,343	1,189	82
Leasehold improvements	347	253	13	646
	<u>5,079</u>	<u>5,130</u>	<u>1,866</u>	<u>2,070</u>

Our capital expenditures were funded out of shareholders' capital injections. Our Group plans to fund future capital expenditures primarily through net proceeds from the Public Offer, shareholders' equity injections and cash generated from operations. To achieve our business strategies, our Group expects to further incur additional capital expenditures which are expected to be on plant and machinery.

FINANCIAL INFORMATION

It is expected that approximately 52.6% of our net proceeds, or approximately HK\$44.0 million will be used for capital expenditure purposes. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets out a summary of key financial ratios in respect of our Group’s results of operation for each of the three years ended or as of March 31, 2014, 2015 and 2016 and the three months ended or as of June 30, 2016.

	As of or for the year ended			As of or
	2014	2015	2016	for the three months ended June 30, 2016
Gross Profit Margin ⁽¹⁾	34.4%	42.9%	44.6%	45.6%
Net Profit Margin ⁽²⁾	16.7%	20.8%	25.6% ⁽⁸⁾	25.5% ⁽⁸⁾
Return on Equity ⁽³⁾	39.4%	37.6%	36.7%	N/A ⁽⁹⁾
Return on Total Assets ⁽⁴⁾	21.3%	23.2%	27.3%	N/A ⁽⁹⁾
Current Ratio ⁽⁵⁾	1.9	2.3	3.5	2.6
Debt to Equity Ratio ⁽⁶⁾	84.7%	61.5%	34.3%	54.5%
Gearing Ratio ⁽⁷⁾	17.8%	24.0%	6.7%	19.7%

Notes:

- (1) Calculated based on gross profit for the period/year divided by revenue for the respective period and multiplied by 100%.
- (2) Calculated based on net profit for the period/year divided by revenue for the respective period and multiplied by 100%.
- (3) Calculated based on net profit for the period/year divided by the total equity as at the end of the respective period and multiplied by 100%.
- (4) Calculated based on dividing net profit for the period/year by total assets as of the end of the respective period and multiplied by 100%.
- (5) Calculated based on the total current assets divided by the total current liabilities as of the respective date.
- (6) Calculated based on debts (including trade and other payables, amounts due to shareholders, amounts due to directors, amounts due to related parties, tax payable and bank borrowings) divided by total equity as of the respective date and multiplied by 100%.
- (7) Calculated based on dividing interest-bearing borrowings by total equity as of the end of the respective date and multiplied by 100%.
- (8) Adjusted for listing expenses of approximately HK\$1.0 million and HK\$9.6 million incurred for the year ended March 31, 2016 and the three months ended June 30, 2016, respectively.
- (9) Such ratios as at and for the three months ended June 30, 2016 are not meaningful and potentially misleading as the underlying income statement measures do not reflect a full year of results of operations.

FINANCIAL INFORMATION

Please refer to the paragraphs above headed “— Three months ended June 30, 2016 compared with three months ended June 30, 2015”, “— Year Ended March 31, 2016 compared with year ended March 31, 2015” and “— Year ended March 31, 2015 compared with year ended March 31, 2014” in this section for a discussion of the factors affecting the growth of revenue and net profit and our gross and net profit margins during the respective periods.

Return on Equity and Return on Total Assets

Return on equity decreased marginally from 37.6% as of March 31, 2015 to 36.7% as of March 31, 2016. Return on total assets increased from 23.2% as of March 31, 2015 to 27.3% as of March 31, 2016. This increase in return on total assets was mainly due to a greater increase in net profit compared to the corresponding increase in total assets.

Return on equity decreased from 39.4% as of March 31, 2014 to 37.6% as of March 31, 2015, and return on total assets increased from 21.3% as of March 31, 2014 to 23.2% as of March 31, 2015. The decrease in return on equity was mainly due to increase in the level of our total equity and the increase in return on total assets was mainly due to the increase in profits.

Current Ratio

Our current ratio decreased from 3.5 as of March 31, 2016 to 2.6 as of June 30, 2016. The decrease in our current ratio primarily reflected an increase in bank borrowings as of June 30, 2016.

Our current ratio increased from 2.3 as of March 31, 2015 to 3.5 as of March 31, 2016. The increase in our current ratio primarily reflected an increase in accrued receivables and a decrease in bank borrowings in 2016.

Our current ratio increased from 1.9 as of March 31, 2014 to 2.3 as of March 31, 2015. The increase in current ratio primarily reflected a decrease in liabilities including the settlement of the 2014 Processing Charge, and also an increase in inventory levels.

Debt to Equity Ratio

Our debt to equity ratio increased from 34.3% as of March 31, 2016 to 54.5% as of June 30, 2016. The increase in our debt to equity ratio primarily reflected an increase in bank borrowings as of June 30, 2016.

Our debt to equity ratio decreased from 61.5% as of March 31, 2015 to 34.3% as of March 31, 2016. The decrease in our debt to equity ratio primarily reflected a decrease in bank borrowings in 2016 as well as a decrease in amounts owed to related parties being the cessation of rental of plant and machinery for production purposes from a related party.

Our debt to equity ratio decreased from 84.7% as of March 31, 2014 to 61.5% as of March 31, 2015. The decrease in debt to equity ratio primarily reflected the settlement of the 2014 Processing Charge.

FINANCIAL INFORMATION

Gearing Ratio

Our gearing ratio increased from 6.7% as of March 31, 2016 to 19.7% as of June 30, 2016. The increase in our gearing ratio primarily reflected an increase in bank borrowings as of June 30, 2016.

Our gearing ratio decreased from 24.0% as of March 31, 2015 to 6.7% as of March 31, 2016. The decrease in our gearing ratio primarily reflected an increase in trade and other receivables and a decrease in bank borrowings in 2016.

Our gearing ratio increased from 17.8% as of March 31, 2014 to 24.0% as of March 31, 2015. The increase in gearing ratio primarily reflected a decrease on trade and other receivables and an increase in bank borrowings in 2015.

SENSITIVITY ANALYSIS

Raw Materials Prices

The following table illustrates the sensitivity analysis of the estimated increase/decrease of our profit/(loss) before tax in relation to general percentage changes to the prices of raw material costs, with all other variables being constant.

	Impact on (loss)/profit before tax			
	For the year ended March 31,			For the
	2014			three months
	2015			ended
	2016	June 30,		
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw material costs increase/decrease by:				
+10%	(3,113)	(2,843)	(2,845)	(495)
+5%	(1,556)	(1,421)	(1,422)	(248)
-5%	1,556	1,421	1,422	248
-10%	3,113	2,843	2,845	495

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Labor Costs

The following table illustrates the sensitivity analysis of the estimated increase/decrease of our profit/(loss) before tax in relation to general percentage changes to the prices of labor costs, with all other variables being constant.

	Impact on net (loss)/profit			
	For the year ended March 31,			For the
	2014			three months
	2015			ended
	2016			June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
	<i>HK\$'000</i>			
Labor costs increase/decrease by:				
+10%	(535)	(640)	(711)	(199)
+5%	(267)	(320)	(356)	(99)
-5%	267	320	356	99
-10%	535	640	711	199

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The risks associated with our Group's financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. Our management manages and monitors our exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Currency risk

Our exposure to currency risk mainly arises from the fluctuation of US\$, JPY, EUR and RMB against the functional currencies of the companies now comprising our Group. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities other than the functional currencies of the companies now comprising our Group are as follows. The management closely monitors foreign exchange exposure to mitigate the foreign currency risk.

	Liabilities				Assets			
	Year ended March 31,			Three	Year ended March 31,			Three
	2014			months	2015			months
	2015			ended	2016			ended
	2016			June 30,	2016			June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	(164)	(73)	(841)	(792)	946	2,818	10,365	5,577
RMB	(10,006)	(3,755)	—	—	—	—	55	53
EUR	(268)	(107)	(20)	(1,642)	—	81	79	87
JPY	(6,966)	(219)	(94)	(40)	—	1,003	—	—

FINANCIAL INFORMATION

Sensitivity analysis

The following table details our sensitivity to a 5% increase in the functional currencies of the relevant group entities against the foreign currencies. 5% is the sensitivity rate used in our management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit after tax for the years ended March 31, 2014, 2015 and 2016 and a decrease (increase) in loss after tax for the three months ended June 30, 2016 where the functional currency of the relevant group entities strengthen against the relevant foreign currencies. For a 5% weakening of the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit after tax for the years ended March 31, 2014, 2015 and 2016 and a decrease (increase) in loss after tax for the three months ended June 30, 2016. Since Hong Kong dollars are pegged to US\$ under the Linked Exchange Rate System, our management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between Hong Kong dollars and US dollars. We are mainly exposed to foreign currency risks, other than US\$.

	For the year ended March 31,			For the three months ended June 30,
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Foreign currencies</i>				
RMB	418	157	(2)	(2)
EUR	11	1	(2)	65
JPY	291	(33)	4	2
	291	(33)	4	2

In our management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk as the year end exposure does not reflect the exposure during the year/period.

Interest rate risk

We are exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit and fixed deposits. Our management considers that the fair value interest rate risk is insignificant as they are relatively short-term.

Our cash flow interest rate risk relates primarily to variable-rate bank balances and bank borrowings due to the fluctuation of the prevailing market interest rate. We currently do not have a policy on hedging interest rate risk. However, our management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

FINANCIAL INFORMATION

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of each reporting period were outstanding for the whole year/period. A 100 basis point increase or decrease represent our management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, profits/loss for the year ended March 31, 2014, March 31, 2015, March 31, 2016 would decrease/increase by approximately HK\$95,000, HK\$141,000, HK\$54,000, respectively.

If interest rates had been 100 basis points higher/lower and all other variable were held constant, loss for the three months ended June 30, 2016 would increase/decrease by approximately HK\$38,000.

Credit risk

As of March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties and financial guarantees provided by our Group arising from the carrying amounts of the recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize the credit risk, our management had delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

We have concentration of credit risk as 16%, 17%, 48% and 27% of the total gross trade receivables was due from our Group's largest customer as of March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, respectively, and 48%, 59%, 68% and 60% of the total gross trade receivables was due from our five largest customers as of March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, respectively. The percentage of total gross trade receivables due from our Group's largest customer as of March 31, 2016 was higher than usual due to a large volume of sales to our largest customer during the month of March 2016, which have subsequently been fully settled.

Our Directors consider that the credit risk on amounts due from related parties is limited because they regularly monitor the financial position of our related parties through involvement in either their management and operations. In addition, the related party has good financial standing.

FINANCIAL INFORMATION

Liquidity risk

Ultimate responsibility for liquidity risk management rests with our Directors which has built an appropriate liquidity risk management framework for the management of our Group's short, medium and long-term funding and liquidity management requirements. Our Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail our Group's remaining contractual maturity for our non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates.

The following tables include both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest risk tables

The Group

	Weighted average interest rate	On demand or less than 3 months	Total undiscounted cash flows	Carrying amounts
	%	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of March 31, 2014				
Trade and other payables	—	25,077	25,077	25,077
Amount due to shareholders	—	577	577	577
Amount due to related parties	—	6,819	6,819	6,819
Bank borrowings	5.2	11,319	11,319	11,319
		43,792	43,792	43,792

	Weighted average interest rate	On demand or less than 3 months	Total undiscounted cash flows	Carrying amounts
	%	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of March 31, 2015				
Trade and other payables	—	8,319	8,319	8,319
Amount due to directors	—	10	10	10
Amount due to related parties	—	6,903	6,903	6,903
Bank borrowings	5.2	16,828	16,828	16,828
		32,060	32,060	32,060

FINANCIAL INFORMATION

	Weighted average interest rate <i>%</i>	On demand or less than 3 months <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amounts <i>HK\$'000</i>
As of March 31, 2016				
Trade and other payables	—	8,909	8,909	8,909
Amounts due to shareholders	—	5,839	5,839	5,839
Amounts due to directors	—	1,212	1,212	1,212
Amount due to related parties	—	4	4	4
Bank borrowings	5.4	6,423	6,423	6,423
		22,387	22,387	22,387

	Weighted average interest rate <i>%</i>	On demand or less than 3 months <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amounts <i>HK\$'000</i>
As of June 30, 2016				
Trade and other payables	—	7,095	7,095	7,095
Amounts due to shareholders	—	5,008	5,008	5,008
Amounts due to directors	—	10	10	10
Amount due to related parties	—	4	4	4
Bank borrowings	5.3	18,211	18,211	18,211
		30,328	30,328	30,328

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 3 months” time band in the above maturity analysis. As at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK\$8.5 million, HK\$6.2 million, HK\$3.7 million and HK\$13.0 million respectively. Taking into account our financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our Directors believe that such bank borrowings will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$9.3 million, HK\$6.6 million, HK\$3.9 million and HK\$13.7 million respectively as at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016.

The Company

Other payables and amounts due to subsidiaries are interest-free and repayable on demand.

FINANCIAL INFORMATION

DIVIDENDS

We declared and paid dividends of approximately HK\$12.0 million, HK\$24.0 million, HK\$7.9 million and nil to shareholders and non-controlling shareholders for the three years ended March 31, 2016 and the three months ended June 30, 2016, respectively. Other than dividends of HK\$29.0 million declared in July 2016 to shareholders and non-controlling shareholders with reference to the retained profits as of March 31, 2016 and which have been fully paid, we have not declared or paid any dividends since June 30, 2016 and up to the Latest Practicable Date.

Our Group currently does not have a fixed dividend policy. Dividends to be declared and paid in the future will be subject to our Directors' discretion and will depend on our financial conditions, results of operations, cash availability, statutory and regulatory restrictions in relation thereto, future prospects, and any other factors that our Directors may consider relevant.

Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the relevant laws.

DISTRIBUTABLE RESERVES

As of June 30, 2016, our Company did not have any distributable reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Public Offer on the audited consolidated net tangible assets of our Group attributable to owners of our Company as if the Public Offer had taken place on June 30, 2016.

The statement of unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2016 or any future dates following the Offering.

FINANCIAL INFORMATION

The following unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of our Company as of June 30, 2016 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016	Estimated net proceeds from the Public Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016 per share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Offer Price of HK\$1.0 for each Offer Share	<u>68,011</u>	<u>59,903</u>	<u>127,914</u>	<u>0.34</u>
Based on the Offer Price of HK\$1.2 for each Offer Share	<u>68,011</u>	<u>75,263</u>	<u>143,274</u>	<u>0.38</u>

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Public Offer are based on 80,000,000 Offer Shares at the indicative Offer Price range of lower limit and upper limit of HK\$1.0 and HK\$1.2 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by the Group (excluding those expenses which had been recognised in profit or loss prior to June 30, 2016).
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 380,000,000 Shares comprising of shares in issue as at the date of this prospectus and the shares to be issued pursuant to the Public Offer.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2016.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016 does not take into account the interim dividends declared by the Company in July 2016, details of which are disclosed in the paragraph headed "Financial Information — Dividends" in this prospectus.

Taking into account of the impact of interim dividends declared of HK\$23,120,000 and estimated net proceeds from the Public Offer at the indicative Offer Price range of lower limit and upper limit of HK\$1.0 and HK\$1.2 per Share, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company will be HK\$104,794,000 and HK\$120,154,000, respectively. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after taken into account of the such interim dividends declared by the Company, estimated net proceeds from the Public Offer at the indicative Offer Price range of lower limit and upper limit of HK\$1.0 and HK\$1.2 per Offer Share, will be HK\$0.28 per Share and HK\$0.32 per Share, respectively.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

The Directors confirm that as of the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Stock Exchange.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since June 30, 2016 (being the date of our latest audited financial statements). There has been no event since June 30, 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Public Offer. Listing expenses to be borne by us (excluding fees payable by the Selling Shareholder) are estimated to be approximately HK\$29.7 million, of which approximately HK\$8.7 million is directly attributable to the issue of Shares to the public and to be capitalized, and approximately HK\$21.1 million has been or is expected to be reflected in our consolidated statements of profit and loss and other comprehensive income. HK\$10.6 million of the listing expenses in relation to services already performed has been reflected in our consolidated statements of profit and loss and other comprehensive income during the Track Record Period, and the remaining amount of approximately HK\$10.4 million is expected to be reflected in our consolidated statements of profit and loss and other comprehensive income subsequent to the Track Record Period.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraphs headed “Our Business — Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.1 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK\$1.0 and HK\$1.2 per Offer Share), we estimate that we will receive net proceeds of approximately HK\$83.6 million from the Public Offer after deducting the underwriting commissions and other estimated expenses in connection with the Public Offer payable by the Company. We intend to use the net proceeds from the Public Offer for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 57%, or HK\$48.0 million, will be invested in a new manufacturing facility, including:

New Production Lines: installation of additional new production lines consisting of machinery and equipment including friction welding machines, CNC lathes, CNC machine centres, conventional lathes, slotting machines, drilling machines and welding machines for the manufacturing of our new products including drill pipes and casing tubes, which we currently source from external suppliers, as well as our self-developed cluster drill, accounting for approximately 17%, or HK\$14.6 million,

Internalization of All Manufacturing Processes: installation of heat treatment facilities, which we currently outsource to independent third party subcontractors accounting for approximately 18%, or HK\$15.3 million,

Set up of New Factory: in order to house our new machinery and equipment for production of our new products and also our heat treatment facilities, we will need to rent new premises for our new factory and install the necessary fittings and leasehold improvements, accounting for approximately 9%, or HK\$7.4 million, and

Increase in Manpower and Related Equipment: we will need to increase our manpower, including employing new technicians to operate the new machinery and equipment at our new factory as well as administrative and management staff, and also purchase related equipment such as operation trucks, accounting for approximately 13%, or HK\$10.7 million;

- approximately 5%, or HK\$3.9 million, will be used for research and development activities, including supporting the development of our new products, specifically, for the payment of the next two years’ wages of additional research and development engineers (who should have completed tertiary education and also possess programming skills) which we intend to recruit and the number of which we expect will double in size;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 11%, or HK\$9.6 million, will be used for participation in overseas exhibition and promotions, including recruiting related sales staff and advertisements in overseas industry journals and magazines;
- approximately 10%, or HK\$8.2 million, will be used for the purchase of brand new drilling machineries, which will be compliant with the new regulations imposed under the NRMM Regulation, for demonstration and showcasing to our customers from whom we expect increased demand for such compliant machinery. For further details, please refer to the paragraph headed “Our Business — Our Products — Our Products Sourced from External Suppliers” in this prospectus;
- approximately 5%, or HK\$3.8 million, will be used for increasing manpower in Hong Kong, including recruiting additional administrative staff for factory production control and finance staff;
- approximately 4%, or HK\$3.2 million, will be used for renting a new office space for our Hong Kong headquarters;
- the remaining amount of approximately HK\$6.9 million, representing approximately 8% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

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 midpoint of the proposed Offer Price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares will be approximately HK\$20.9 million (to be received upon Listing and assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range), after deducting the underwriting commissions and other estimated expenses in connection with the Public Offer payable by the Selling Shareholder. Our Company will not receive any proceeds from the Sale Shares in the Public Offer.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our Directors believe that the Listing is beneficial to our Company and its Shareholders as a whole for the following reasons:

- Our Directors believe that the Listing will facilitate the implementation of our business strategies. As stated in the section headed “Our Business — Business Strategies” in this prospectus, we plan to deepen our penetration of the Hong Kong DTH rockdrilling tool industry, to extend our international platform through partnering with local distributors to develop new markets and increase sales, to invest in a new manufacturing facility in order to introduce new self-designed and manufactured products and enhance our manufacturing capabilities, as well as to expand our research and development team. While we currently have cash at hand as well as unutilized banking facilities, as an ongoing business, we require such liquidity to meet our day-to-day working capital requirements (including wages, rent, cost of raw materials, selling and distribution expenses, administrative expenses, finance costs, as well as meeting other payables) and also meet any cashflow mismatches between our receivables and our payables. Our cash and cash equivalents and unutilized banking facilities as of October 31, 2016 represent approximately four months’ working capital and therefore we require the funds raised from the Public Offer in order to pursue our business strategies. In particular:

Investment in Our New Manufacturing Facility

The net proceeds of the Public Offer will help us realize our business objectives of investing in our manufacturing facilities and expanding our research and development team.

To maintain our market position and our production capacities to meet anticipated growing market demand for our products, we will need to utilize existing cash resources to replace or upgrade our existing machines and equipment. In order to capture new business opportunities, we will also need to invest in a new manufacturing facility focused on the production of new products, which requires substantial upfront capital investment. Our Directors will utilize a part of the proceeds of the Public Offer to purchase and install new machinery at our new manufacturing facility for the production of new products, namely drill pipes, cluster drills and casing tubes. The following are the main drivers for our plans to invest in a new manufacturing facility for production of new products:

- (a) *Timing.* During the year ended March 31, 2016, we have been able to increase the sales to our largest customer by selling drill pipes which are of high unit value which they previously sourced from suppliers other than our Group. We expect that we will be able to build on this and maintain or even grow our sales of drill pipes. We have also devoted time and energy towards the research and development of a self-designed and manufactured drill pipe, and have successfully developed and produced our own drill pipes. By being able to supply such self-designed and manufactured drill pipes, we believe that we can take advantage of our customers’ demand for drill pipes to increase our revenues and improve profit margins.

FUTURE PLANS AND USE OF PROCEEDS

- (b) *Lower costs and profit margins improvement.* Taking into consideration the related costs of production, including manpower, utilities and purchase of raw materials and related accessories, we expect that we will be able to produce our self-designed and manufactured drill pipes and casing tubes at costs which are approximately a third to half the price at which we would otherwise have to pay to source such products from our external suppliers. We would therefore be able to significantly improve our profit margins by selling our self-designed and manufactured drill pipes rather than drill pipes sourced from external suppliers.
- (c) *Quality control and stable supply.* By manufacturing our own self-designed drill pipes, we believe we would be able to better control the quality of the products which we supply to our customers. We would also be able to better manage the supply of such products without being subject to the ability of external suppliers to timely provide the products to meet customers' demand, thereby improving our service to our customers.
- (d) *Expansion of scope of product offerings.* By expanding our scope of product offerings, we believe that we will be able to increase the range of technical solutions we can offer our customers, which will help deepen our penetration with both local and overseas customers, which in turn will enhance our overall financial performance and strengthen our competitive position.

We also plan to add to our manufacturing capabilities by internalizing the heat treatment steps of our manufacturing process for the following reasons:

- (a) *Timing.* Historically, we have had to subcontract the heat treatment steps of our manufacturing process due to the technical nature of this procedure and lack of funds to invest in the requisite equipment. We now believe that through our years of experience manufacturing our products and dealing with heat treatment specialists, we have acquired the relevant technical know-how such that with the hiring of staff with the requisite skills and investment in the appropriate equipment, we would now be able to undertake this procedure ourselves.
- (b) *Lower costs and profit margins improvement.* We spent on average approximately HK\$6 million per annum for the three years ended March 31, 2016 on subcontracting heat treatment steps to external specialist heat treatment firms. We believe that by internalizing the heat treatment steps, even after taking into account the expected annual operating costs, the Group will be able to reduce such costs spent on subcontracting in the long run and further that we would be able to recoup the cost of HK\$15.3 million related to the purchase of the heat treatment facilities within their expected life of six to seven years. From a unit cost perspective, we expect that after taking into consideration our future costs of operating our new heat treatment machinery (including manpower and utilities), we will be able to reduce the heat treatment related costs per kilogram by approximately two-thirds.

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- (c) *Reduction of production time.* By internalizing the heat treatment steps, we will be no longer required to deliver our partly finished goods to our external specialist heat treatment firm situated in Shenzhen, which will result in a reduction in travelling time (which currently may take several days including delivery and treatment time), as well as the related transportation costs and free up our vehicles and personnel to undertake other tasks.
- (d) *Quality control.* Currently, the heat treatment steps are the only part of our manufacturing process which we outsource to third parties. By internalizing this step and thereby ensuring that the entire manufacturing process is handled inhouse, we believe that we would be able to improve our control over the quality of our products, and we also believe that our ability to represent to our clients that our products are wholly self-manufactured will provide them with further confidence in the quality of our products.

Following the set up of the new manufacturing facility, our existing Shunde factory will focus on the manufacture of our existing DTH rockdrilling tools while our new manufacturing facility will focus on the manufacture of our newly developed products.

International Expansion

We believe that the Listing would enhance our corporate profile and our credibility with overseas customers and distributors, who would have more confidence in dealing with a publicly listed supplier with good reputation, transparent financial disclosures and regulatory supervision. The net proceeds of the Public Offer would also provide financial resources to the Group to achieve our international expansion through further promotion which would help promote our standing internationally and in our efforts to break into new markets. While we have enjoyed success in the past few years in our international sales efforts and have built up sales in Scandinavia and in Japan, we see ourselves at a critical juncture in our efforts to expand internationally and believe that the Listing at this time would be key to our efforts to increase our sales in our existing overseas markets as well as entering into of new markets, such as India.

- Many of our clients, including contractors in Hong Kong, and also our overseas competitors, which have their respective parent company, group companies or itself publicly listed on the Stock Exchange or other exchanges. Our Directors believe that the Listing would enhance our standing with our existing and prospective clients and increase our level of competitiveness with our competitors.
- Currently, our Group operates mainly by internal funding generated from its profits, and by external debt financings. Our Directors consider that as a group of private companies, it would be difficult for our Company, without a listing status, to obtain bank borrowings without guarantees or other forms of security or support provided by our Controlling Shareholders. It is anticipated that any bank borrowings to our Group would require our Controlling Shareholders to provide personal guarantees and other forms of security if our Company were not listed as was the case during the Track Record Period when our bank borrowings were secured by personal guarantees and mortgages of properties as provided by our Controlling Shareholders. Further, as most of our fixed assets are located in the PRC and

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not in Hong Kong, our Directors consider that it would be difficult for our Group, particularly our Hong Kong subsidiaries, to obtain the required banking facilities on favorable terms without the Controlling Shareholder providing some of their Hong Kong based assets outside the Group as collateral or personal guarantees as security.

- The Listing would provide a fund-raising platform for our Company, 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 expansions, which could be instrumental to our expansion and improving our operating and financial performance for maximum Shareholder return.

UNDERWRITING

UNDERWRITERS

Opus Capital Limited
Supreme China Securities Limited
Octal Capital Limited

UNDERWRITING

This prospectus is published solely in connection with the Public Offer. The Public Offer is fully underwritten by the Underwriters on a conditional basis. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourself and on behalf of the Selling Shareholder), the Public Offer will not proceed and will lapse.

The Public Offer comprises 100,000,000 Offer Shares (comprising 80,000,000 New Shares and 20,000,000 Sale Shares).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company and the Selling Shareholder are offering the Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus, the Application Forms and the Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and (b) certain other conditions set out in the Underwriting Agreement, the Underwriters have agreed severally (and not jointly nor jointly and severally) to subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Public Offer on the terms and conditions set out in this prospectus, the Application Forms and the Underwriting Agreement.

Grounds for Termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Bookrunners (for themselves and on behalf of the Underwriters) in their sole and absolute discretion may terminate the Underwriting Agreement with immediate effect:

- (i) there develops, occurs, exists or comes into force:
 - (a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, labor disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting Hong Kong, the PRC, the

UNDERWRITING

Cayman Islands, the BVI, the United States, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group (the “**Relevant Jurisdictions**”);

- (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
- (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;
- (d) any general moratorium on commercial banking activities in any Relevant Jurisdictions, declared by the relevant authorities, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions;
- (e) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any Governmental Authority in or affecting any of the Relevant Jurisdictions;
- (f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;
- (g) a change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions adversely affecting an investment in the Shares;
- (h) any potential litigation or disputes which would affect the operation, financial condition or reputation of the Group;
- (i) any Director is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;
- (j) the chairman of the Board or any of the executive Directors vacating his or her office;

UNDERWRITING

- (k) any governmental authority or a political body or organisation in any Relevant Jurisdiction is commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;
- (l) any contravention by any member of our Group of the Listing Rules or Applicable Laws;
- (m) any prohibition on our Company and/or the Selling Shareholder for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Public Offer;
- (n) any non-compliance of this prospectus (or any other documents used in connection with the Public Offer) or any aspect of the Public Offer with the Listing Rules or any other Applicable Laws;
- (o) any order or petition for the winding-up of any member of our Group or the Selling Shareholder (as the case may be) or any composition or arrangement made by any member of the Group or the Selling Shareholder (as the case may be) with its creditors or a scheme of arrangement entered into by any member of our Group or the Selling Shareholder (as the case may be) or any resolution for the winding-up of any member of our Group or the Selling Shareholder (as the case may be) or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or the Selling Shareholder (as the case may be) or anything analogous thereto occurring in respect of any member of our Group or the Selling Shareholder (as the case may be); or
- (p) any change or prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus,

which, individually or in the aggregate, in the sole opinion of the Joint Bookrunners (for themselves and on behalf of the Underwriters) (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole, (2) has or will have or may have a material adverse effect on the success of the Public Offer or the level of applications under the Public Offer, (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Public Offer to proceed or to market the Public Offer or (4) has or will or may have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof; or

- (ii) there has come to the notice of the Joint Bookrunners:
 - (a) that any offer document (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions;

UNDERWRITING

- (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus or any offer document issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto);
- (c) the issue of or the requirement to issue by our Company any supplementary prospectus (or to any other documents used in connection with the Public Offer) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC in circumstances where the matter to be disclosed is in the sole opinion of the Joint Bookrunners, materially adverse to the marketing for or implementation of the Public Offer;
- (d) any material breach of any of the obligations or undertakings imposed upon any party to the Underwriting Agreement (other than upon any of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or the Underwriters);
- (e) any event, act or omission which gives or is likely to give rise to any material liability of any of our Company, the Controlling Shareholders and the Executive Directors (collectively, the “**Warrantors**”) pursuant to the indemnities given by any of them under the Underwriting Agreement;
- (f) any adverse change or development or any prospective adverse change or development in the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole and the effect of which is, in the sole opinion of the Joint Bookrunners, so adverse as to make it impracticable or inadvisable to proceed with the Public Offer;
- (g) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties given by any of the Warrantors in the Underwriting Agreement;
- (h) that the approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Public Offer is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (i) that our Company withdraws this prospectus (and/or any other document issued or used in connection with the Public Offer) or the Public Offer;
- (j) any person (other than any of the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the offer documents or to the issue of any of the offer documents.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

We have undertaken to the Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules, no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue 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).

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company, except pursuant to the Public Offer and save as permitted under the Listing Rules, that he or it shall not and shall procure that the registered holder(s) controlled by each of them will not:

- (i) in the period commencing on the date by reference (the “**Reference Date**”) to which disclosure of his or its shareholdings are made in this prospectus and ending on the date (the “**End Date**”) which is six months from 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 our Shares or securities of our Company in respect of which he or it is shown by this prospectus to be the beneficial owner(s) (the “**Relevant Securities**”); and
- (ii) in the period of six months commencing from the End Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, each of the Controlling Shareholder shall:

- (a) when he or it pledges or charges any securities of our Company beneficially owned by him or it in favor of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or charge that any of the pledged or charged securities of our Company shall be disposed of, immediately inform our Company of any such indications.

UNDERWRITING

Undertakings Pursuant to the Underwriting Agreement

Undertakings by our Company

We have also undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that, except pursuant to the Public Offer, at any time from the date of the Underwriting Agreement until expiry of six months from the Listing Date (the “**First Six-month Period**”), we shall not, and shall procure that each other member of our Group shall not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any equity securities of our Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any such equity securities of our Company), or deposit any equity securities of our Company with a depository in connection with the issue of depository receipts; 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 Shares or any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
- (iv) offer to, or agree to, or contract to, or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company, or in cash or otherwise (whether or not the allotment or issue of Shares or such other securities will be completed within the First Six-Month Period) provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the reorganization of the Group for the purpose of the Listing and the Public Offer.

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

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Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that, except pursuant to the Public Offer, each of the Controlling Shareholders will not, and will procure that his/its affiliates and associates (as defined in the Listing Rules) or any company controlled by him/it or any nominee or trustee holding in trust for him/it will not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the First Six-month Period:

- (i) offer, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrance in respect of), either directly or indirectly, conditionally or unconditionally, any of the Shares or other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or securities or interest therein) beneficially owned by him/it (the “**Lock-up Securities**”); or
- (ii) enter into any swap or other arrangement that transfers, before the expiry of the Second Six-Month Period to another, in whole or in part, any of the economic consequences of ownership of the Lock-up Securities; or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
- (iv) offer to, or agree to, or contract to, or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or any other securities of our Company, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six-Month Period).

During the Second Six-month Period, each of the Controlling Shareholders will not, and will procure that his/its affiliates and associates (as defined in the Listing Rules) or any company controlled by him/it or any nominee or trustee holding in trust for him/it will not, enter into any of the transactions in paragraph (i), (ii) or (iii) above or offer to, or agree to, or contract to, or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, any of the Controlling Shareholders ceases to be a controlling shareholder (as defined in the Listing Rules) of our Company.

UNDERWRITING

Until the expiry of the Second Six-month Period, in the event that each of the Controlling Shareholders enters into any transactions specified in paragraph (i), (ii) or (iii) above or offers to, or agrees to, or contracts to, or announce any intention to effect any such transactions, he or it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

Each of the Controlling Shareholders has further undertaken to us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that he/it will, at any time within the period commencing on the date of the Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

- (i) upon any pledge or charge in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or other securities of our Company beneficially owned by him/it for a *bona fide* commercial loan, immediately inform our Company and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or other securities of our Company which are so pledged or charged; and
- (ii) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other equity securities of our Company will be disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

We agree and undertake to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that, upon receiving such information in writing from any of the Controlling Shareholders, we shall, as soon as possible, notify the Stock Exchange and make a public announcement in relation to such information in accordance with the Listing Rules.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 4.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and other fees.

The aggregate underwriting commissions payable to the Underwriters in relation to the Public Offer (assuming an Offer Price of HK\$1.1 per Offer Share (which is the mid-point of the Offer Price range)) will be approximately HK\$4.4 million in aggregate and are payable by our Company and the Selling Shareholder with reference to the number of New Shares and Sale Shares under the Public Offer, respectively.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Public Offer payable by the Company are estimated to be approximately HK\$29.7 million (assuming an Offer Price of HK\$1.1 per Offer Share (which is the mid-point of the Offer Price range)) and will be paid by our Company.

UNDERWRITING

Underwriters' Interests in our Company

Save for their respective obligations under the Underwriting Agreement, as of the Latest Practicable Date, none of the Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Indemnity

We and the Controlling Shareholders have agreed to indemnify the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Underwriting Agreement.

INDEPENDENCE OF SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE PUBLIC OFFER

THE PUBLIC OFFER

This prospectus is published in connection with the Public Offer. Octal Capital Limited is the Sole Sponsor. Opus Capital Limited, Supreme China Securities Limited and Octal Capital Limited are the Joint Bookrunners, the Joint Lead Managers and the Underwriters.

The listing of the Shares on the Stock Exchange is sponsored by the 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 to be issued as mentioned in this prospectus.

100,000,000 Offer Shares will be made available under the Public Offer.

The Offer Shares will represent approximately 26.3% of the total Shares in issue immediately following the completion of the Public Offer.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Public Offer.

Number of Offer Shares offered

We are offering 100,000,000 Shares (comprising 80,000,000 New Shares and 20,000,000 Sale Shares) for subscription by the public in Hong Kong at the Offer Price, representing 100% of the total number of Offer Shares available under the Public Offer.

The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and other investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that 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” below in this section.

Allocation

Allocation of Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Offer Shares, and those applicants who are not successful in the ballot may not receive any Offer Shares.

STRUCTURE OF THE PUBLIC OFFER

The total number of Offer Shares available for subscription under the Public Offer is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 50,000,000 Offer Shares (being 50% of the total number of Offer Shares available under the Public Offer) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of HK\$5.0 million or less (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). The Offer Shares in pool B will consist of 50,000,000 Offer Shares (being 50% of the total number of Offer Shares available under the Public Offer) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK\$5.0 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “subscription price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 50,000,000 Offer Shares, being the number of Offer Shares allocated to each pool, are liable to be rejected.

Applications

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the Public Offer will be fixed on the Price Determination Date, which is expected to be on or about Friday, January 6, 2017 and, in any event, not later than Monday, January 9, 2017, by agreement among the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder).

The Offer Price will not be more than HK\$1.2 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Public Offer must pay, on application, the maximum Offer Price of HK\$1.2 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$2,424.18 for one board lot of 2,000 Shares. 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 minimum Offer Price stated in this prospectus.

STRUCTURE OF THE PUBLIC OFFER

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where it deems appropriate, based on the level of applications in the Public Offer, and with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company 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 Times (in Chinese) and on the websites of our Company and the Stock Exchange at www.yukwing.com and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), will be fixed within such revised Offer Price range.

Before submitting applications for the Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Public Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of applications in the Public Offer, the basis of allocations of the Offer Shares and the results of allocations in the Public Offer are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for Offer Shares — Publication of Results” in this prospectus.

UNDERWRITING

The Public Offer is fully underwritten by the Underwriters under the terms and conditions of the Underwriting Agreement and is subject to the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

The underwriting arrangements, including the Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE PUBLIC OFFER

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus;
- (b) the Offer Price having been agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder); and
- (c) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the agreement,

in each case on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before Monday, January 9, 2017, the Public Offer will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Public Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company in the Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of our Company and the Stock Exchange at www.yukwing.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for 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 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 at 8:00 a.m. on Wednesday, January 11, 2017, provided that the Public Offer has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, January 11, 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, January 11, 2017.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 1536.

HOW TO APPLY FOR OFFER SHARES

A. APPLICATIONS FOR OFFER SHARES

1. How to Apply

To apply for Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service 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 Joint Bookrunners, 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 Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply for Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer who must state his or her representative and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners, as our Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

HOW TO APPLY FOR OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Offer Shares if:

- you are an existing beneficial owner of Shares and/or any of the subsidiaries of our Company;
- you are a Director or chief executive officer of our Company, or an associate of any such Director or chief executive officer; or
- you are a connected person of our Company, or a person who will become a connected person of our Company immediately upon the completion of the Public Offer.

3. Applying for Offer Shares

Which Application Channel to Use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply only to the **HK eIPO White Form** Service Provider at www.hkeipo.hk.

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, December 30, 2016 until 12:00 noon on Thursday, January 5, 2017 from:

- (a) any of the following offices of the Underwriters:

Octal Capital Limited	802–805, 8th Floor Nan Fung Tower 88 Connaught Road Central Hong Kong
Opus Capital Limited	18th Floor, Fung House 19–20 Connaught Road Central Central, Hong Kong
Supreme China Securities Limited	Suites 2701–2, 27th Floor Dah Sing Financial Centre 108 Gloucester Road Wanchai, Hong Kong

HOW TO APPLY FOR OFFER SHARES

(b) any of the following branches of the receiving bank for the Public Offer:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	Shop 1–4, G/F, Tung Hip Commercial Building, 244–248 Des Voeux Road Central
Kowloon	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories	Kwai Chung Plaza Branch	A18–20, G/F Kwai Chung Plaza, 7–11 Kwai Foo Road, Kwai Chung
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, December 30, 2016 until 12:00 noon on Thursday, January 5, 2017 from:

- the Depository Counter of HKSCC at I/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- 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 to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — YUK WING GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above at the following times:

Friday, December 30, 2016	—	9:00 a.m. to 5:00 p.m.
Saturday, December 31, 2016	—	9:00 a.m. to 1:00 p.m.
Tuesday, January 3, 2017	—	9:00 a.m. to 5:00 p.m.
Wednesday, January 4, 2017	—	9:00 a.m. to 5:00 p.m.
Thursday, January 5, 2017	—	9:00 a.m. to 12:00 noon

HOW TO APPLY FOR OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, January 5, 2017, the last day for applications, or such later time as described in the paragraph headed “Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying to the **HK eIPO White Form** Service Provider, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (b) agree to comply with the Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law;
- (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 relied only on the information and representations 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 Public Offer set out in this prospectus;
- (f) agree that none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Public Offer and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Public Offer any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR OFFER SHARES

- (h) 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 neither our Company nor the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other person involved in the Public Offer will breach any laws 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 in this prospectus and the Application Form;
- (i) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (j) agree that your application will be governed by the laws of Hong Kong;
- (k) represent, warrant and undertake that (i) you understand that the Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (l) warrant that the information you have provided is true and accurate;
- (m) agree to accept the Offer Shares applied for or any lesser number allocated to you under the application;
- (n) authorize (i) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Offer Shares allocated to you and such other registers as required under the Memorandum and Articles of Association and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (o) 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;
- (p) understand that our Company, the Directors, the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted for making a false declaration;
- (q) (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 OFFER SHARES

- (r) (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 its agent.

Additional Instructions for YELLOW Application Form

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the HK eIPO White Form Service

General

Individuals who meet the criteria in “— *Who Can Apply*” above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated 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 set out 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 authorize 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 Provider.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, December 30, 2016 until 11:30 a.m. on Thursday, January 5, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, January 5, 2017, the last day for applications, or such later time as described in the paragraph headed “Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, 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 Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR OFFER SHARES

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give electronic application instructions to apply for the Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F., One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above 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 Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and the Hong Kong Share Registrar.

HOW TO APPLY FOR OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the 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; and
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Offer Shares applied for or any lesser number allocated;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
 - confirm that you understand that our Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to allocate any of the Offer Shares to you and that you may be prosecuted for if you make a false declaration;
 - authorize our Company to place HKSCC Nominees' name on the register of members of our Company as the holder of the Offer Shares allocated to you and such other registers as required under the Articles, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and 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 and will not rely on any other information or representations, except those in any supplement to this prospectus;

HOW TO APPLY FOR OFFER SHARES

- agree that neither our Company nor the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other person involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other person involved in the Public Offer any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with 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 Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (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;
- 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 the announcement of the results of the Public Offer;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Offer Shares;

HOW TO APPLY FOR OFFER SHARES

- agree with our Company 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 our Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Islands law; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with 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 will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and 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 initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized 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 2,000 Offer Shares. Instructions for more than 2,000 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 Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR 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:

Friday, December 30, 2016	—	8:00 a.m. to 8:30 p.m.	⁽¹⁾
Saturday, December 31, 2016	—	8:00 a.m. to 1:00 p.m.	⁽¹⁾
Tuesday, January 3, 2017	—	8:00 a.m. to 8:30 p.m.	⁽¹⁾
Wednesday, January 4, 2017	—	8:00 a.m. to 8:30 p.m.	⁽¹⁾
Thursday, January 5, 2017	—	8:00 a.m. ⁽¹⁾ to 12:00 noon	

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, December 30, 2016 until 12:00 noon on Thursday, January 5, 2017 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, January 5, 2017, the last day for applications, or such later time as described in “Effect of Bad Weather on the Opening and Closing 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 Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of 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 Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or

HOW TO APPLY FOR OFFER SHARES

the Company's respective directors, officers or representatives or any other person involved in the Public Offer about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Offer Shares through the **HK eIPO White Form** service is 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 to make your electronic application. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other person involved in the Public Offer and the **HK eIPO White Form** Service Provider 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 allocated any 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. If CCASS Investor Participants have problems in the connection to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, January 5, 2017, the last day for applications, or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

8. How Many Applications Can You Make

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code.

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **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 OFFER SHARES

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE OFFER SHARES

The maximum Offer Price is HK\$1.2 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Offer Shares, you will pay HK\$2,424.18.

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Offer Shares under the terms and conditions 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 2,000 Offer Shares. Each application or electronic application instruction in respect of more than 2,000 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 (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure of the Public Offer — Pricing and Allocation” in this prospectus.

HOW TO APPLY FOR OFFER SHARES

C. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 5, 2017. 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 force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, January 5, 2017 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.

D. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of applications in the Public Offer and the basis of allocations of the Offer Shares on Tuesday, January 10, 2017 in the Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of our Company at www.yukwing.com and 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 dates and in the manner set out below:

- in the announcement to be posted on the websites of our Company at www.yukwing.com and the Stock Exchange at www.hkexnews.hk, respectively, by no later than Tuesday, January 10, 2017;
- 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 Tuesday, January 10, 2017 to 12:00 midnight on Monday, January 16, 2017;
- from the telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, January 10, 2017 to Friday, January 13, 2017 on a business day; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the receiving bank designated branches referred to above from Tuesday, January 10, 2017 to Thursday, January 12, 2017.

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 Offer Shares if the conditions of the Public Offer are satisfied and the Public Offer is not otherwise terminated. Further details are set out in the section headed “Structure of the Public Offer” in this prospectus.

HOW TO APPLY FOR OFFER SHARES

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.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED OFFER SHARES

You should note the following situations in which the Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, 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 which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the 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.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR OFFER SHARES

(c) If the allotment of Offer Shares is void:

The allotment of Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.hkeipo.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- our Company or the Joint Bookrunners believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
- you apply for more than 50,000,000 Offer Shares, being 50% of the 100,000,000 Offer Shares available under the Public Offer; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer as set out in the section headed "Structure of the Public Offer — Conditions of the Public Offer" in this prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and 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 Tuesday, January 10, 2017.

HOW TO APPLY FOR OFFER SHARES

G. DISPATCH/COLLECTION OF SHARE CERTIFICATES/REFUND CHEQUES

You will receive one Share certificate for all Offer Shares allocated 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 Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE or YELLOW** Application Form(s), 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:

- (a) Share certificate(s) for all the Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Offer Shares allocated to you will be deposited into CCASS as described below); and
- (b) 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 Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% 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. 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 certificate(s) are expected to be posted on or before Tuesday, January 10, 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, January 11, 2017, provided that the Public Offer has become unconditional in all respects at or before that time and that the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

HOW TO APPLY FOR OFFER SHARES

Personal Collection

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, January 10, 2017, or any other place or date notified by our Company in the newspapers.
- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorization 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 Share Registrar.
- If you do not collect your refund cheque(s) and/or Share certificate(s) personally (where applicable) within the time specified for collection, they will be dispatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Offer Shares, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Tuesday, January 10, 2017 by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

- If you apply for 1,000,000 Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Tuesday, January 10, 2017 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 your designated CCASS Participant's stock account as stated in your Application Form on Tuesday, January 10, 2017 or, in the event of a 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 Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR OFFER SHARES

- If you apply as a CCASS Investor Participant, our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on Tuesday, January 10, 2017 in the manner as 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 Tuesday, January 10, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System.

(c) If you apply through HK eIPO White Form service:

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, January 10, 2017, or any other place or date notified by our Company in the newspapers as the place or date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.
- If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, January 10, 2017 by ordinary post and 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-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) If you apply by giving electronic application instructions to HKSCC via CCASS:

Allocation of Offer Shares

- For the purposes of allocating 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.

HOW TO APPLY FOR OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, January 10, 2017 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Offer Shares in the manner as described in the paragraph headed "D. Publication of Results" above on Tuesday, January 10, 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, January 10, 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allocated 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 Tuesday, January 10, 2017. Immediately following the credit of the Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and 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 Tuesday, January 10, 2017.

HOW TO APPLY FOR OFFER SHARES

H. 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 on the Stock Exchange 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 advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for the purpose of incorporation in this prospectus received from the Company's reporting accountants. Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

35/F, One Pacific Place
88 Queensway
Hong Kong

December 30, 2016

The Directors
Yuk Wing Group Holdings Limited

Octal Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Yuk Wing Group Holdings Limited 煜榮集團控股有限公司 (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended March 31, 2016 and for the three-month period ended June 30, 2016 (the "Relevant Periods") (the "Financial Information"), for inclusion in the prospectus of the Company dated December 30, 2016 (the "Prospectus") in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on March 17, 2016. Pursuant to a group reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus (the "Group Reorganisation"), the Company has since May 30, 2016 become the holding company of the entities now comprising the Group. Other than the transactions relating to the Group Reorganisation and the preparation of the proposed listing, the Company has not carried on any business since the date of its incorporation.

The Company has the following subsidiaries at the date of this report:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group					Principal activities
			As at March 31,		As at		At date of this report	
			2014	2015	June 30, 2016	2016		
			%	%	%	%	%	
Directly held								
Hang Wing Holdings Limited ("Hang Wing") (煜榮控股有限公司)	British Virgin Islands ("BVI") March 16, 2016	Ordinary shares HK\$1	—	—	100	100	100	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group					Principal activities
			As at March 31,		As at June 30,		At date of this report	
			2014	2015	2016	2016		
%	%	%	%	%				
Indirectly held								
Top Mark Mechanical Equipment Limited ("Top Mark") (震東機械設備有限公司)	Hong Kong July 28, 1997	Ordinary shares HK\$1,000,000	100	100	100	100	100	Trading of rockdrilling equipment and machineries
MAXA RockDrills Limited ("Maxa RockDrills")	Hong Kong September 15, 2000	Ordinary shares HK\$100	100	100	100	100	100	Trading of rockdrilling equipment
佛山市順德區萊利達工程設備有限公司 (Norry Tech Engineering Equipment Limited) [#] ("Norry Tech")	The People's Republic of China (the "PRC") October 16, 2007	Registered capital HK\$23,000,000	50 (note 1)	50 (note 1)	50 (note 1)	51 (note 2)	51	Manufacturing of rockdrilling equipment
Tristate International Industrial Limited ("Tristate International") (聯亞國際實業有限公司)	Hong Kong July 28, 2008	Ordinary shares HK\$10,000	50 (note 1)	50 (note 1)	50 (note 1)	51 (note 3)	51	Trading of rockdrilling and piling and drilling equipment and machineries
Top Glory Construction Equipment Limited ("Top Glory") (震東建築設備有限公司)	Hong Kong March 20, 2015	Ordinary shares HK\$10,000	—	100	100	100	100	Trading of rockdrilling and piling and drilling equipment and machineries
Tristate (HK) Holding Company Limited ("Tristate Hong Kong")	Hong Kong April 13, 2016	Ordinary shares HK\$1	—	—	—	100	100	Investment holding

Norry Tech is a wholly foreign owned enterprise.

Note 1: The directors of the Company assessed whether or not the Group has control in Norry Tech and Tristate International based on whether the Group has the practical ability to direct their relevant activities unilaterally.

The memorandum of articles of Tristate International has set out that resolutions of relevant activities requires simple majority vote in the board of directors' meetings. During the Relevant Periods, the Group has appointed one director, namely Ms. Kar Yee Law, the mother of the Controlling Shareholders, out of two directors of Tristate International. Pursuant to the shareholders' agreement and statutory declaration, the Group is entitled to an additional casting vote in the board of directors meeting and the Group has the ability to direct the relevant activities of Tristate International.

On the other hand, the sole executive director of Norry Tech is the representative of the Group who has the power to make decisions over relevant activities. Pursuant to the shareholders' agreement, only the Group has the power to appoint the directors of Norry Tech. Accordingly, the Group has the ability to make decisions in respect of the relevant activities of Norry Tech.

The directors of the Company therefore considered that the Group has control over Tristate International and Norry Tech.

Note 2: On May 30, 2016, Tristate Hong Kong acquired additional 1% equity interest in Norry Tech for a consideration of RMB239,237 (equivalent to approximately HK\$284,800) from the non-controlling shareholder, Mr. Lap Wai Gary Chan. Tristate Hong Kong has increased its equity interest in Norry Tech from 50% to 51% accordingly. As at May 30, 2016, the 1% equity interest of Norry Tech is approximately amounted to HK\$298,000.

Note 3: On May 31, 2016, Hang Wing acquired additional 1% equity interest in Tristate International for a consideration of HK\$191,760 from Ms. Siu Ling Linda Vane, the spouse of Mr. Lap Wai Gary Chan. Hang Wing has increased its equity interest in Tristate International from 50% to 51% accordingly. As at May 31, 2016, the 1% equity interest of Tristate International is approximately amounted to HK\$218,000.

Except that Norry Tech has adopted December 31 as its financial year end date, all companies incorporated in Hong Kong, BVI and Cayman Islands now comprising the Group have adopted March 31 as their financial year end date.

No statutory financial statements have been prepared for the Company and Hang Wing since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

No statutory audited financial statements have been issued for Tristate Hong Kong since its date of incorporation as its statutory financial statements are not yet due to be issued.

The statutory financial statements of Top Mark, Maxa RockDrills and Tristate International for the years ended March 31, 2014 and March 31, 2015 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by the certified public accountants set out as below:

Name of subsidiary	Financial periods	Name of auditor
Top Mark	Each of the years ended March 31, 2014 and 2015	Tony Kwok Tung Ng & Co., Certified Public Accountants
Maxa RockDrills	Each of the years ended March 31, 2014 and 2015	Yu Kwong Fat Certified Public Accountant (Practising)
Tristate International	Each of the years ended March 31, 2014 and 2015	CM & CO., Certified Public Accountants

The statutory financial statements of Top Mark, Maxa RockDrills and Tristate International for the year ended March 31, 2016 and the statutory financial statements of Top Glory for the period from March 20, 2015 (date of incorporation) to March 31, 2016 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us.

The PRC statutory financial statements of Norry Tech for the years ended December 31, 2013, 2014 and 2015 were prepared in accordance with relevant accounting rules and financial regulations applicable to PRC enterprises. The PRC statutory financial statements of Norry Tech were audited by 佛山市中正誠會計師事務所有限公司 (Foshan Zhong Zheng Cheng Certified Public Accountants LLP) for the years ended December 31, 2013 and 2014 and 深圳金橋會計師事務所 (Shenzhen Jinqiao Certified Public Accountants), certified public accountants registered in the PRC, for the year ended December 31, 2015.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with accounting policies that conform with HKFRSs which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretation issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section E below. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at March 31, 2016 and June 30, 2016 and of the Group as at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016 and of the financial performance and cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the three-month period ended June 30, 2015 together with the notes thereon have been extracted from the Group’s unaudited combined financial information for the same period (the “June 2015 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the June 2015 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the June 2015 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended March 31,			For the three-month period ended June 30,	
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	8	150,571	126,620	141,744	30,558	27,778
Cost of sales		<u>(98,807)</u>	<u>(72,268)</u>	<u>(78,523)</u>	<u>(17,131)</u>	<u>(15,105)</u>
Gross profit		51,764	54,352	63,221	13,427	12,673
Other income	9	1,744	929	4,357	193	636
Other gains and losses	10	(1,788)	(268)	1,577	183	1,268
Selling and distribution expenses		(3,575)	(3,836)	(4,031)	(816)	(992)
Administrative expenses		(17,653)	(18,874)	(20,786)	(3,766)	(4,743)
Listing expenses		—	—	(1,013)	—	(9,575)
Finance costs	11	<u>(628)</u>	<u>(612)</u>	<u>(419)</u>	<u>(155)</u>	<u>(90)</u>
Profit (loss) before tax	12	29,864	31,691	42,906	9,066	(823)
Income tax expense	13	<u>(4,759)</u>	<u>(5,316)</u>	<u>(7,654)</u>	<u>(1,393)</u>	<u>(1,675)</u>
Profit (loss) for the year/period		25,105	26,375	35,252	7,673	(2,498)
Other comprehensive income (expense) for the year/period						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation of foreign operations		<u>269</u>	<u>146</u>	<u>(1,558)</u>	<u>70</u>	<u>(715)</u>
Total comprehensive income (expense) for the year/period		<u><u>25,374</u></u>	<u><u>26,521</u></u>	<u><u>33,694</u></u>	<u><u>7,743</u></u>	<u><u>(3,213)</u></u>
Profit (loss) for the year/period attributable to:						
Owners of the Company		18,887	21,141	26,974	6,252	(2,969)
Non-controlling interests		<u>6,218</u>	<u>5,234</u>	<u>8,278</u>	<u>1,421</u>	<u>471</u>
		<u><u>25,105</u></u>	<u><u>26,375</u></u>	<u><u>35,252</u></u>	<u><u>7,673</u></u>	<u><u>(2,498)</u></u>
Total comprehensive income (expense) for the year/period attributable to:						
Owners of the Company		19,027	21,210	26,158	6,318	(3,322)
Non-controlling interests		<u>6,347</u>	<u>5,311</u>	<u>7,536</u>	<u>1,425</u>	<u>109</u>
		<u><u>25,374</u></u>	<u><u>26,521</u></u>	<u><u>33,694</u></u>	<u><u>7,743</u></u>	<u><u>(3,213)</u></u>
Earnings (losses) per Share, basic (HK cents)	16	<u><u>9.23</u></u>	<u><u>7.17</u></u>	<u><u>8.99</u></u>	<u><u>2.08</u></u>	<u><u>(0.99)</u></u>

(B1) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at March 31,			As at
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	June 30, 2016 HK\$'000
Non-current assets					
Property, plant and equipment	17	13,324	15,346	13,249	12,791
Deposits paid for acquisition of property, plant and equipment		<u>153</u>	<u>143</u>	<u>114</u>	<u>455</u>
		<u>13,477</u>	<u>15,489</u>	<u>13,363</u>	<u>13,246</u>
Current assets					
Inventories	18	28,307	35,306	29,723	31,126
Trade and other receivables	19	48,592	36,159	52,106	42,028
Amounts due from shareholders	20	461	4,158	—	—
Amount due from a director	20	1,469	—	—	—
Amounts due from related parties	20	3,443	4,439	6,341	6,341
Tax recoverable		417	475	—	481
Bank deposits	21	1,011	4,919	—	—
Bank balances and cash	21	<u>20,645</u>	<u>12,818</u>	<u>27,628</u>	<u>49,699</u>
		<u>104,345</u>	<u>98,274</u>	<u>115,798</u>	<u>129,675</u>
Current liabilities					
Trade and other payables	22	29,172	11,471	12,980	19,730
Amounts due to shareholders	20	577	—	5,839	5,008
Amounts due to directors	20	—	10	1,212	10
Amounts due to related parties	20	6,819	6,903	4	4
Tax payable		6,099	8,009	6,455	7,414
Bank borrowings	23	<u>11,319</u>	<u>16,828</u>	<u>6,423</u>	<u>18,211</u>
		<u>53,986</u>	<u>43,221</u>	<u>32,913</u>	<u>50,377</u>
Net current assets		<u>50,359</u>	<u>55,053</u>	<u>82,885</u>	<u>79,298</u>
Total assets less current liabilities		<u>63,836</u>	<u>70,542</u>	<u>96,248</u>	<u>92,544</u>
Non-current liabilities					
Deferred tax liabilities	24	<u>133</u>	<u>308</u>	<u>172</u>	<u>158</u>
		<u>63,703</u>	<u>70,234</u>	<u>96,076</u>	<u>92,386</u>
Capital and reserves					
Share capital	25	10,505	12,515	11,500	30,000
Reserves		<u>37,263</u>	<u>40,473</u>	<u>59,794</u>	<u>38,011</u>
Equity attributable to owners of the Company		47,768	52,988	71,294	68,011
Non-controlling interests		<u>15,935</u>	<u>17,246</u>	<u>24,782</u>	<u>24,375</u>
		<u>63,703</u>	<u>70,234</u>	<u>96,076</u>	<u>92,386</u>

(B2) STATEMENTS OF FINANCIAL POSITION

		As at March 31, 2016 <i>HK\$'000</i>	As at June 30, 2016 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current asset			
Investment in a subsidiary	26(a)	<u>—</u>	<u>79,611</u>
Current asset			
Deferred listing expenses		337	2,949
Amount due from immediate holding company	26(b)	<u>—*</u>	<u>—*</u>
		<u>337</u>	<u>2,949</u>
Current liabilities			
Other payables		800	8,183
Amounts due to subsidiaries	26(b)	<u>550</u>	<u>5,356</u>
		<u>1,350</u>	<u>13,539</u>
Net current liabilities		<u>(1,013)</u>	<u>(10,590)</u>
		<u>(1,013)</u>	<u>69,021</u>
Capital and reserves			
Share capital	25	—*	30,000
Reserves	26(c)	<u>(1,013)</u>	<u>39,021</u>
		<u>(1,013)</u>	<u>69,021</u>

* Less than HK\$1,000.

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Merger reserve HK\$'000 (note ii)	Statutory reserve HK\$'000 (note i)	Exchange reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000			
At April 1, 2013	8,505	—	90	653	—	24,993	34,241	12,088	46,329
Profit for the year	—	—	—	—	—	18,887	18,887	6,218	25,105
Exchange differences arising on translation of foreign operations	—	—	—	140	—	—	140	129	269
Total comprehensive income for the year	—	—	—	140	—	18,887	19,027	6,347	25,374
Proceeds of issue of shares (note iii)	2,000	—	—	—	—	—	2,000	2,000	4,000
Dividends paid (note 15 of Section E)	—	—	—	—	—	(7,500)	(7,500)	(4,500)	(12,000)
Transfer	—	—	38	—	—	(38)	—	—	—
At March 31, 2014	10,505	—	128	793	—	36,342	47,768	15,935	63,703
Profit for the year	—	—	—	—	—	21,141	21,141	5,234	26,375
Exchange differences arising on translation of foreign operations	—	—	—	69	—	—	69	77	146
Total comprehensive income for the year	—	—	—	69	—	21,141	21,210	5,311	26,521
Proceeds of issue of shares (note iv)	2,010	—	—	—	—	—	2,010	2,000	4,010
Dividends paid (note 15 of Section E)	—	—	—	—	—	(18,000)	(18,000)	(6,000)	(24,000)
Transfer	—	—	118	—	—	(118)	—	—	—
At March 31, 2015	12,515	—	246	862	—	39,365	52,988	17,246	70,234
Profit for the year	—	—	—	—	—	26,974	26,974	8,278	35,252
Exchange differences arising on translation of foreign operations	—	—	—	(816)	—	—	(816)	(742)	(1,558)
Total comprehensive income for the year	—	—	—	(816)	—	26,974	26,158	7,536	33,694
Dividends paid (note 15 of Section E)	—	—	—	—	—	(7,852)	(7,852)	—	(7,852)
Effect of reorganisation	(1,015)	1,015	—	—	—	—	—	—	—
Transfer	—	—	387	—	—	(387)	—	—	—
At March 31, 2016	11,500	1,015	633	46	—	58,100	71,294	24,782	96,076

	Attributable to owners of the Company						Non-controlling		Total HK\$'000
	Share capital HK\$'000	Merger reserve HK\$'000 (note ii)	Statutory reserve HK\$'000 (note i)	Exchange reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	interests HK\$'000	
At April 1, 2016	11,500	1,015	633	46	—	58,100	71,294	24,782	96,076
(Loss) profit for the period	—	—	—	—	—	(2,969)	(2,969)	471	(2,498)
Exchange differences arising on translation of foreign operations	—	—	—	(353)	—	—	(353)	(362)	(715)
Total comprehensive (expense) income for the period	—	—	—	(353)	—	(2,969)	(3,322)	109	(3,213)
Issue of shares of the Company (note v)	30,000	—	—	—	—	—	30,000	—	30,000
Effect of reorganisation (note ii)	(11,500)	(18,500)	—	—	—	—	(30,000)	—	(30,000)
Acquisition of additional interest in subsidiaries (note 28 of Section E)	—	—	—	20	19	—	39	(516)	(477)
At June 30, 2016	30,000	(17,485)	633	(287)	19	55,131	68,011	24,375	92,386
For the three-month period ended June 30, 2015									
At April 1, 2015	12,515	—	246	862	—	39,365	52,988	17,246	70,234
Profit for the period	—	—	—	—	—	6,252	6,252	1,421	7,673
Exchange difference arising on translation of foreign operations	—	—	—	66	—	—	66	4	70
Total comprehensive income for the period	—	—	—	66	—	6,252	6,318	1,425	7,743
Transfer	—	—	16	—	—	(16)	—	—	—
At June 30, 2015 (unaudited)	12,515	—	262	928	—	45,601	59,306	18,671	77,977

Note i: Amount represents statutory reserve of Norry Tech. According to the relevant laws in the PRC, Norry Tech is required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

Note ii: Amount represents difference between the nominal value of the share capital issued by Hang Wing for the acquisition of the entire equity interests in Top Mark, Tristate International, Top Glory and Maxa RockDrills and the amount of share capital of Top Mark, Tristate International, Top Glory and Maxa RockDrills.

Note iii: During the year ended March 31, 2014, Norry Tech issued share capital amounting to HK\$4,000,000 to its shareholders.

Note iv: During the year ended March 31, 2015, Norry Tech and Top Glory issued share capital amounting to HK\$4,000,000 and HK\$10,000 respectively to its shareholders.

Note v: During the three-month period ended June 30, 2016, the Company issued share capital amounting to HK\$29,999,999 to its immediate holding company, Hang Yip in consideration of the Controlling Shareholders (as defined in note 2 of section E) transferring their entire shareholdings in Hang Wing to the Company.

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended March 31,			For the three-month period ended June 30,	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Operating activities					
Profit (loss) before tax	29,864	31,691	42,906	9,066	(823)
Adjustments for:					
Depreciation of property, plant and equipment	790	1,447	1,642	388	321
Gain on disposal of plant and equipment	(7)	(13)	—	—	(1,134)
Gain on fair value change of derivative financial instruments	(156)	—	—	—	—
Impairment loss recognised on trade receivables	423	865	—	—	—
Interest expense	628	612	419	155	90
Interest income	(19)	(9)	(4)	(2)	—
Operating cash flows before movements in working capital	31,523	34,593	44,963	9,607	(1,546)
Cash received on settlement of derivative financial instruments	156	—	—	—	—
(Increase) decrease in inventories	(1,144)	(5,158)	6,191	2,545	(1,559)
(Increase) decrease in trade and other receivables	(11,602)	11,590	(15,944)	(5,414)	14,573
Increase (decrease) in trade and other payables	3,351	(17,846)	2,024	2,317	7,041
Cash generated from operations	22,284	23,179	37,234	9,055	18,509
PRC Enterprise Income Tax paid	(545)	(452)	(584)	(188)	(1,110)
Hong Kong Profits Tax paid	(6,562)	(2,834)	(8,264)	(3,172)	(101)
Net cash from operating activities	15,177	19,893	28,386	5,695	17,298
Investing activities					
Interest received	19	9	4	2	—
Purchase of property, plant and equipment	(4,513)	(5,046)	(4,352)	(33)	(2,411)
Proceeds from disposal of property, plant and equipment	7	13	—	—	1,935
Acquisition of additional interest in subsidiaries	—	—	—	—	(477)
Advance to shareholders	—	(5,692)	—	—	—
Repayment from shareholders	—	1,995	4,158	—	—
Advance to related parties	(3,603)	(1,456)	(2,852)	(100)	—
Repayment from related parties	203	450	950	—	—
Repayment from a director	327	1,469	—	—	—
(Placement) withdrawal of pledged bank deposit	—	(3,908)	3,908	3,602	—
Withdrawal of fixed bank deposit	—	—	1,011	—	—
Net cash (used in) from investing activities	(7,560)	(12,166)	2,827	3,471	(953)

	For the year ended March 31,			For the three-month period ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Financing activities					
Repayment of bank borrowing	(4,580)	(5,146)	(19,374)	(11,259)	(4,974)
New borrowings raised	4,556	10,655	8,969	1,566	16,762
Dividends paid to shareholders of Top Mark and Tristate International	(7,500)	(18,000)	—	—	—
Dividends paid to non-controlling shareholders of Tristate International	(4,500)	(6,000)	—	—	—
Interest paid	(628)	(612)	(419)	(155)	(90)
Proceeds of issue of shares	4,000	4,000	—	—	—
Advance from a non-controlling shareholder of Tristate International	—	—	2,500	—	—
Advance from shareholders	9,103	16,572	—	—	—
Repayment to shareholders	(12,520)	(17,139)	(2,013)	(1,782)	(831)
Advance from related parties	9,226	3,505	4	—	—
Repayment to related parties	(8,590)	(3,411)	(6,903)	(110)	—
Advance from directors	—	10	1,202	—	—
Repayment to a director	—	—	—	—	(1,202)
Listing expenses paid	—	—	(167)	—	(4,007)
Net cash (used in) from financing activities	<u>(11,433)</u>	<u>(15,566)</u>	<u>(16,201)</u>	<u>(11,740)</u>	<u>5,658</u>
Net (decrease) increase in cash and cash equivalents	(3,816)	(7,839)	15,012	(2,574)	22,003
Cash and cash equivalents at beginning of the year/period	24,422	20,645	12,818	12,818	27,628
Effect of foreign exchange rate changes	<u>39</u>	<u>12</u>	<u>(202)</u>	<u>67</u>	<u>68</u>
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	<u>20,645</u>	<u>12,818</u>	<u>27,628</u>	<u>10,311</u>	<u>49,699</u>

(E) NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on March 17, 2016.

The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Document. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and trading of rockdrilling and piling and drilling equipment and machineries.

The Financial Information is presented in Hong Kong Dollars ("HK\$") which is also the functional currency of the Company.

2. REORGANISATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

Historically, all the entities comprising the Group were controlled by Mr. Leung Choi Chan and Mr. Kin Choi Chan, who are brothers ("Controlling Shareholders") and held by them directly or indirectly. In preparation for the listing of the Company's shares on the Stock Exchange, the entities now comprising the Group underwent a group reorganisation to enable the Company to become the holding company of the Group which involves the steps of the Group Reorganisation as follows:

- (a) On March 16, 2016, Hang Wing was incorporated in BVI with limited liability. At the time of its incorporation, Hang Wing had an authorised share capital of HK\$5,000 divided into 50,000 ordinary shares, of which ten shares were allotted and issued for cash to the Controlling Shareholders.
- (b) On March 17, 2016, the Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, the Company had an authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares, of which one initial subscriber share was transferred and nine shares were allotted and issued for cash to Hang Yip Company Limited ("Hang Yip"), which become the immediate holding company of the Company and is wholly owned by the Controlling Shareholders.
- (c) On March 31, 2016, the Controlling Shareholders transferred all of their shareholdings in each of Top Mark, Top Glory, Maxa RockDrills, and Ms. Kar Yee Law, the mother of the Controlling Shareholders who holds the shares in Tristate International on behalf of the Controlling Shareholders, transferred all the shares in Tristate International, for nominal considerations of HK\$2 for each transfer, respectively to Hang Wing.
- (d) On April 13, 2016, Tristate Hong Kong was incorporated with limited liability. At the time of its incorporation, Tristate Hong Kong has issued one fully paid ordinary share to Hang Wing.
- (e) On May 30, 2016, Tristate Hong Kong entered into a sale and purchase agreement with Ms. Ning Liang, the spouse of Mr. Leung Choi Chan, who holds the share capital on behalf of the Controlling Shareholders in Norry Tech, pursuant to which Ms. Ning Liang transferred 50% equity interest in Norry Tech for RMB11,961,842 to Tristate Hong Kong. Upon completion, Norry Tech became a non-wholly owned subsidiary of Hang Wing which holds 50% equity interest in Norry Tech. On the same date, such consideration payable was waived by the Controlling Shareholders.
- (f) On May 30, 2016, the Company has increased its authorised share capital to HK\$50,000,000 divided into 500,000,000 ordinary shares with a par value of HK\$0.1 each and 299,999,990 ordinary shares were allotted and issued to Hang Yip in consideration of the Controlling Shareholders transferring their entire shareholdings in Hang Wing to the Company.

Pursuant to the Group Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on May 30, 2016. Its immediate and ultimate holding company is Hang Yip, a company incorporated in BVI which Mr. Leung Choi Chan and Mr. Kin Choi Chan are the ultimate controlling parties. As the Company and its subsidiaries have been under the common control of Mr. Leung Choi Chan and Mr. Kin Choi Chan throughout the Relevant Periods or since their respective dates of incorporation, where there is a shorter period and before and after the Group Reorganisation, as a result, the Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group throughout the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows which include the results, changes in equity and cash flows of the companies now comprising the Group for the Relevant Periods have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entity, where this is a shorter period.

The consolidated statements of financial position as at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016 have been prepared to present the assets and liabilities of the companies now comprising Group as if the current group structure had been in existence at those dates, taking into account the respective date of incorporation of the relevant entity, where applicable.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has adopted all HKFRSs which are effective for the Group's accounting periods beginning on April 1, 2016 consistently throughout the Relevant Periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

¹ Effective for annual periods beginning on or after January 1, 2018.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after January 1, 2019.

⁴ Effective for annual periods beginning on or after January 1, 2017.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a significant impact on the amounts reported and disclosures made in the consolidated financial statements of the Group in the future.

HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 27, total operating lease commitment of the Group with terms more than 12 months as at 30 June 2016 amounting to HK\$28,530,000. 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 results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of use assets and lease liabilities.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, and in accordance with the following accounting policies which confirm with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The Financial Information incorporates the financial statements of the entities now comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power to direct the relevant activities of the investee unilaterally, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, based on the carrying amount of the net assets attributable to the change in interests, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statements of financial position at cost less any identified impairment loss. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from shareholders, amount due from a director, amounts due from related parties, pledged bank deposit, fixed bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

Interest income is recognised by applying the effective interest basis, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including trade and other payables, amounts due to shareholders, amounts due to directors, amounts due to related parties, and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Government subsidies

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

The following are the critical accounting judgement, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Critical judgment in applying accounting policies

The following is the critical judgement, apart from those involving estimation (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Control of Norry Tech and Tristate International

Note 28 describes that Norry Tech and Tristate International are subsidiaries of the Group during the Relevant Periods where the Group had only 50% ownership interest in the subsidiaries.

The directors of the Company assessed whether or not the Group has control over Norry Tech and Tristate International based on whether the Group has the practical ability to direct their relevant activities unilaterally. Resolutions of relevant activities of Norry Tech and Tristate International require approval in board meetings as stated in the shareholders' agreements. In addition, Mr. Leung Choi Chan, one of the ultimate shareholders of the Group, is also delegated the right to make decisions to direct the relevant activities as stated in the delegation agreement. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Norry Tech and Tristate International and therefore the Group has control over the subsidiaries.

Key sources of estimation uncertainty

Impairment of trade receivables

In determining whether there is objective evidence of impairment loss, the directors of the Company takes into consideration of the financial strength of the counterparties, the credit history of the customers and the current market condition. When there is objective evidence for a receivable that may be impaired, the amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The directors of the Company reassess the adequacy of impairment on a regular basis.

Where the actual cash flows are less than expected, a material impairment loss may arise.

During the years ended March 31, 2014 and March 31, 2015, impairment loss recognised on trade receivables amounted to HK\$423,000 and HK\$865,000, respectively, were written off, respectively. No impairment loss on trade receivables is recognised for the year ended March 31, 2016 and for the three-month period ended June 30, 2016. The carrying amount of the trade receivables is disclosed in note 19.

Impairment of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling expenses. The amount written off to the profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, certain estimations are required. In making these estimations, the Group evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference in response to market conditions.

As at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, the carrying amount of inventories is HK\$28,307,000, HK\$35,306,000, HK\$29,723,000 and HK\$31,126,000, respectively.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debt, which include bank borrowings disclosed in note 23 and equity attributable to owner of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			The Company		
	As at March 31, 2014 HK\$'000	As at March 31, 2015 HK\$'000	As at March 31, 2016 HK\$'000	As at June 30, 2016 HK\$'000	As at March 31, 2016 HK\$'000	As at June 30, 2016 HK\$'000
Financial assets						
Loans and receivables (including cash and cash equivalents)	<u>74,264</u>	<u>58,823</u>	<u>84,241</u>	<u>91,928</u>	<u>—*</u>	<u>—*</u>
Financial liabilities						
Amortised cost	<u>43,792</u>	<u>32,060</u>	<u>22,387</u>	<u>30,328</u>	<u>1,350</u>	<u>13,539</u>

* Less than HK\$1,000

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount(s) due from (to) related parties/director(s)/shareholders, pledged bank deposit, fixed bank deposit, bank balances and cash, trade and other payables and bank borrowings. The Company's major financial instruments include other payables and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks*Currency risk*

The Group's exposure to currency risk mainly arises from the fluctuation of US\$, JPY, EURO and RMB against the functional currencies of the relevant companies now comprising the Group. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities other than the functional currencies of the relevant companies now comprising the Group are as follows. The management closely monitors foreign exchange exposure to mitigate the foreign currency risk.

	Liabilities				Assets			
	As at March 31,		As at		As at March 31,		As at	
	2014	2015	2016	2016	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$	(164)	(73)	(841)	(792)	946	2,818	10,365	5,577
RMB	(10,006)	(3,755)	—	—	—	—	55	53
EURO	(268)	(107)	(20)	(1,642)	—	81	79	87
JPY	(6,966)	(219)	(94)	(40)	—	1,003	—	—

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in the functional currencies of the relevant group entities against the foreign currencies. 5% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in the Group's profit after tax for the year ended March 31, 2014, 2015 and 2016 and a decrease (increase) in loss after tax for the three-month period ended June 30, 2016 where the functional currency of the relevant group entities strengthen against the relevant foreign currencies. For a 5% weakening of the functional currency of the relevant group entities, there would be an equal and opposite impact on the Group's profit after tax for the years ended March 31, 2014, 2015 and 2016 and a decrease (increase) in loss after tax for the three-month period ended June 30, 2016. Since Hong Kong dollars are pegged to US\$ under the Linked Exchange Rate System, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between Hong Kong dollars and US dollars. The Group mainly exposes to foreign currency risks, other than US\$.

	For the year ended March 31,			For the
	2014	2015	2016	three-month
	HK\$'000	HK\$'000	HK\$'000	period ended
				June 30,
				2016
				HK\$'000
<i>Foreign currencies</i>				
RMB	418	157	(2)	(2)
EURO	11	1	(2)	65
JPY	291	(33)	4	2

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk as the year/period end exposure does not reflect the exposure during the year/period.

The Company is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit and fixed bank deposits and as disclosed in note 21. The management considers that the fair value interest rate risk is insignificant as they are relatively short-term.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and bank borrowings as disclosed in notes 21 and 23 due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liability outstanding at each reporting period end was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after taxation for the years ended March 31, 2014, March 31, 2015 and March 31, 2016 would decrease/increase by HK\$95,000, HK\$141,000 and HK\$54,000, respectively.

If interest rates had been 100 basis points higher/lower and all other variable were held constant, the Group's loss after taxation for the three-month period ended June 30, 2016 would increase/decrease by HK\$38,000.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arising from the carrying amounts of the recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk as 16%, 17%, 48% and 27% of the total gross trade receivables was due from the Group's largest customer as at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, respectively, and 48%, 59%, 68% and 60% of the total gross trade receivables was due from the five largest customers as at March 31, 2014 and March 31, 2015, March 31, 2016 and June 30, 2016, respectively.

The directors of the Company consider that the credit risk on amounts due from related parties is limited because they regularly monitor the financial position of the related party through involvement in their management and operations. In addition, the related party has good financial standing.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest risk tables

The Group

	Weighted average interest rate	On demand or less than 3 months	Total undiscounted cash flows	Carrying amounts
	%	HK\$'000	HK\$'000	HK\$'000
At March 31, 2014				
Trade and other payables	—	25,077	25,077	25,077
Amount due to shareholders	—	577	577	577
Amounts due to related parties	—	6,819	6,819	6,819
Bank borrowings	5.2	11,319	11,319	11,319
		<u>43,792</u>	<u>43,792</u>	<u>43,792</u>

	Weighted average interest rate	On demand or less than 3 months	Total undiscounted cash flows	Carrying amounts
	%	HK\$'000	HK\$'000	HK\$'000
At March 31, 2015				
Trade and other payables	—	8,319	8,319	8,319
Amount due to directors	—	10	10	10
Amounts due to related parties	—	6,903	6,903	6,903
Bank borrowings	5.2	16,828	16,828	16,828
		<u>32,060</u>	<u>32,060</u>	<u>32,060</u>

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At March 31, 2016				
Trade and other payables	—	8,909	8,909	8,909
Amounts due to shareholders	—	5,839	5,839	5,839
Amounts due to directors		1,212	1,212	1,212
Amounts due to related parties	—	4	4	4
Bank borrowings	5.4	6,423	6,423	6,423
		<u>22,387</u>	<u>22,387</u>	<u>22,387</u>
		Weighted average interest rate %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000
			Carrying amounts HK\$'000	
At June 30, 2016				
Trade and other payables	—	7,095	7,095	7,095
Amounts due to shareholders	—	5,008	5,008	5,008
Amounts due to directors	—	10	10	10
Amounts due to related parties	—	4	4	4
Bank borrowings	5.3	18,211	18,211	18,211
		<u>30,328</u>	<u>30,328</u>	<u>30,328</u>

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 3 months” time band in the above maturity analysis. As at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$8,518,000, HK\$6,173,000, HK\$3,709,000 and HK\$13,000,000 respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$9,285,000, HK\$6,568,000, HK\$3,851,000 and HK\$13,688,000, respectively as at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016.

The Company

Other payables and amounts due to subsidiaries are interest-free and repayable on demand.

Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the trading and manufacturing of rockdrilling and piling and drilling equipment and machineries.

Information reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on the types of products sold. The Group’s operating segments are classified as (i) manufacturing and trading of down-the-hole (“DTH”) rockdrilling tools; (ii) trading of piling and drilling machineries and (iii) trading of rockdrilling equipment.

The details of the Group's reportable segments are as follows:

- (i) Manufacturing and trading of DTH rockdrilling tools which include design, manufacturing and trading of DTH rockdrilling tools
- (ii) Trading of piling and drilling machineries
- (iii) Trading of rockdrilling equipment

These operating segments also represent the Group's reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments:

For the year March 31, 2014

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment and external sales	<u>105,234</u>	<u>19,787</u>	<u>25,550</u>	<u>150,571</u>
RESULTS				
Segment result	<u>35,097</u>	<u>7,731</u>	<u>8,936</u>	51,764
Unallocated expenses				(21,228)
Other income				1,744
Other gains and losses				(1,788)
Finance costs				<u>(628)</u>
Profit before tax				<u>29,864</u>

For the year ended March 31, 2015

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
External sales	<u>94,394</u>	<u>17,617</u>	<u>14,609</u>	<u>126,620</u>
RESULTS				
Segment result	<u>44,821</u>	<u>5,682</u>	<u>3,849</u>	54,352
Unallocated expenses				(22,710)
Other income				929
Other gains and losses				(268)
Finance costs				<u>(612)</u>
Profit before tax				<u>31,691</u>

For the year ended March 31, 2016

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
External sales	<u>112,296</u>	<u>15,373</u>	<u>14,075</u>	<u>141,744</u>
RESULTS				
Segment result	<u>52,992</u>	<u>5,371</u>	<u>4,858</u>	63,221
Unallocated expenses				(25,830)
Other income				4,357
Other gains and losses				1,577
Finance costs				<u>(419)</u>
Profit before tax				<u>42,906</u>

For the three-month period ended June 30, 2015

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i> (unaudited)	Trading of piling and drilling machineries <i>HK\$'000</i> (unaudited)	Trading of rockdrilling equipment <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
External sales	<u>25,804</u>	<u>1,557</u>	<u>3,197</u>	<u>30,558</u>
RESULTS				
Segment result	<u>11,721</u>	<u>767</u>	<u>939</u>	13,427
Unallocated expenses				(4,582)
Other income				193
Other gains and losses				183
Finance costs				<u>(155)</u>
Profit before tax				<u>9,066</u>

For the three-month period ended June 30, 2016

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
External sales	<u>21,590</u>	<u>577</u>	<u>5,611</u>	<u>27,778</u>
RESULTS				
Segment result	<u>10,285</u>	<u>182</u>	<u>2,206</u>	12,673
Unallocated expenses				(15,310)
Other income				636
Other gains and losses				1,268
Finance costs				<u>(90)</u>
Loss before tax				<u>(823)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment result represents the profit earned by each segment without allocation of unallocated expenses (mainly including general office expenses, selling and distribution expenses, unallocated depreciation and listing expenses) and other income, other gains and losses and finance costs. This is the measure reported to the CODM of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group.

Other information**For the year ended March 31, 2014**

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts regularly provided to the CODM but not included in the measurement of segment results:				
Depreciation	613	100	77	790
Impairment loss recognised on trade receivables	<u>423</u>	<u>—</u>	<u>—</u>	<u>423</u>

For the year ended March 31, 2015

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts regularly provided to the CODM but not included in the measurement of segment results:				
Depreciation	1,101	155	187	1,443
Impairment loss recognised on trade receivables	<u>865</u>	<u>—</u>	<u>—</u>	<u>865</u>

For the year ended March 31, 2016

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts regularly provided to the CODM but not included in the measurement of segment results:				
Depreciation	<u>1,347</u>	<u>149</u>	<u>40</u>	<u>1,536</u>

For the three-month period ended June 30, 2015

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i> (unaudited)	Trading of piling and drilling machineries <i>HK\$'000</i> (unaudited)	Trading of rockdrilling equipment <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Amounts regularly provided to the CODM but not included in the measurement of segment results:				
Depreciation	<u>332</u>	<u>37</u>	<u>10</u>	<u>379</u>

For the three-month period ended June 30, 2016

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts regularly provided to the CODM but not included in the measurement of segment results:				
Depreciation	<u>265</u>	<u>52</u>	<u>3</u>	<u>320</u>

Geographical information

The following table sets out information about (i) the Group's revenue from external customers by the location of customers and (ii) the Group's property, plant and equipment by location of assets.

	Revenue from external customers					Property, plant and equipment			
	For the year ended March 31,			For the three-month period ended June 30,		As at March 31,			As at
	2014	2015	2016	2015	2016	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2016
	(unaudited)								
Hong Kong	134,331	114,819	125,567	28,323	24,246	1,595	3,184	2,160	1,322
Macau	6,238	7,131	5,009	1,076	2,249	—	—	—	—
Scandinavia	9,747	3,406	4,545	1,159	1,052	—	—	—	—
Japan	—	—	6,611	—	231	—	—	—	—
PRC	—	—	—	—	—	11,729	12,162	11,089	11,469
Others	255	1,264	12	—	—	—	—	—	—
	<u>150,571</u>	<u>126,620</u>	<u>141,744</u>	<u>30,558</u>	<u>27,778</u>	<u>13,324</u>	<u>15,346</u>	<u>13,249</u>	<u>12,791</u>

Information about major customers

Revenue from major customer which accounted for 10% or more of the Group's revenue for each of the year/period comprising the Relevant Periods is set out below:

	For the year ended March 31,			For the three-month period ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Ngai Shun Construction & Drilling Company Limited from all segments	<u>39,335</u>	<u>32,047</u>	<u>57,465</u>	<u>7,202</u>	<u>11,978</u>

9. OTHER INCOME

	For the year ended March 31,			For the three-month period ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Rental income of piling and drilling machineries and equipment	1,149	85	750	—	270
Scrap sales	295	253	144	38	45
Compensation income (note (a))	92	158	2,503	—	—
Bank interest income	19	9	4	2	—
Government subsidy (note (b))	—	280	71	—	—
Income from repairing services	—	—	713	—	120
Sundry income	189	144	172	153	201
	<u>1,744</u>	<u>929</u>	<u>4,357</u>	<u>193</u>	<u>636</u>

Notes:

- (a) Compensation income for each of the years ended March 31, 2014 and March 31, 2015 mainly represents compensation from suppliers for defective goods and insurance claim in relation to employee's compensation of injury respectively. For the year ended March 31, 2016, the amount mainly represents compensation paid by a vendor in relation to the proposed sale of a piece of land situated in the PRC to the Group, which did not eventuate.
- (b) Government subsidy represents ex-gratia payment for retirement of motor vehicles.

10. OTHER GAINS AND LOSSES

	For the year ended March 31,			For the three-month period ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net foreign exchange (loss) gain	(1,528)	584	1,577	183	134
Impairment loss recognised on trade receivables	(423)	(865)	—	—	—
Gain on fair value change of derivative financial instruments	156	—	—	—	—
Gain on disposal of property, plant and equipment	7	13	—	—	1,134
	<u>(1,788)</u>	<u>(268)</u>	<u>1,577</u>	<u>183</u>	<u>1,268</u>

11. FINANCE COSTS

	For the year ended March 31,			For the three-month period ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Interest on bank borrowings	628	612	419	155	90

12. PROFIT (LOSS) BEFORE TAX

	For the year ended March 31,			For the three-month period ended June 30,	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Profit (loss) before tax has been arrived at after charging:					
Directors' remuneration (<i>note 14</i>)	3,127	4,370	3,643	693	690
Other staff costs	8,088	9,548	12,627	2,501	3,184
Contributions to retirement benefits schemes, other than those of directors	<u>661</u>	<u>1,007</u>	<u>2,571</u>	<u>283</u>	<u>344</u>
Total staff costs	<u>11,876</u>	<u>14,925</u>	<u>18,841</u>	<u>3,477</u>	<u>4,218</u>
Auditor's remuneration	69	78	8	—	—
Depreciation of property, plant and equipment	790	1,447	1,642	388	321
Depreciation of property, plant and equipment capitalised in inventories	1,585	1,736	1,740	440	481
Cost of inventories recognised as expense	98,807	72,268	78,523	17,131	15,105
Operating lease rental in respect of Minimum lease payments of rented premises	2,208	2,141	3,228	617	999
Machineries and equipment	<u>2,640</u>	<u>2,200</u>	<u>—</u>	<u>—</u>	<u>—</u>

13. INCOME TAX EXPENSE

	For the year ended March 31,			For the three-month period ended June 30,	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Current tax:					
Hong Kong	4,492	4,722	6,068	1,357	1,689
PRC Enterprise Income Tax	<u>129</u>	<u>397</u>	<u>1,708</u>	<u>78</u>	<u>—</u>
	<u>4,621</u>	<u>5,119</u>	<u>7,776</u>	<u>1,435</u>	<u>1,689</u>
(Over) under provision in prior years					
Hong Kong	(2)	22	14	—	—
Deferred tax charge (credit) (<i>note 24</i>)	<u>140</u>	<u>175</u>	<u>(136)</u>	<u>(42)</u>	<u>(14)</u>
	<u>4,759</u>	<u>5,316</u>	<u>7,654</u>	<u>1,393</u>	<u>1,675</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC.

The income tax expense for the Relevant Periods can be reconciled to the profit (loss) before tax as follows:

	For the year ended March 31,			For the three-month period ended June 30,	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Profit (loss) before tax	<u>29,864</u>	<u>31,691</u>	<u>42,906</u>	<u>9,066</u>	<u>(823)</u>
Tax at the domestic income tax rate of 16.5%	4,928	5,229	7,079	1,496	(136)
Tax effect of expenses not deductible for tax purposes	121	150	317	29	2,191
Tax effect of income not taxable for tax purposes	(2)	(54)	(3)	(10)	(10)
(Over) under provision in prior years	(2)	22	14	—	—
Tax effect of different tax rate of subsidiary operating in other jurisdiction	(12)	119	568	(1)	(133)
Tax concession (<i>Note</i>)	(30)	(60)	(100)	(20)	(24)
Others	<u>(244)</u>	<u>(90)</u>	<u>(221)</u>	<u>(101)</u>	<u>(213)</u>
Income tax expense	<u>4,759</u>	<u>5,316</u>	<u>7,654</u>	<u>1,393</u>	<u>1,675</u>

Note: During the year ended March 31, 2014, 2015 and 2016 and the three-month period ended June 30, 2015 and 2016, each subsidiaries incorporated in Hong Kong entitled tax concession of HK\$10,000, HK\$20,000, HK\$20,000, HK\$20,000 (unaudited) and HK\$24,000, respectively.

14. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND EMPLOYEES

Mr. Leung Choi Chan, Mr. Kin Choi Chan, Mr. Tat Choi Chan, who are brothers and Controlling Shareholders, and Ms. Ning Liang, the spouse of Mr. Leung Choi Chan, have been appointed as the executive directors of the Company on March 17, 2016 and Mr. Leung Choi Chan is also the chief executive of the Company.

Directors and Chief Executive

During the Relevant Periods, the emoluments paid or payable to the directors of the Company (including emoluments for the services as employees of the group entities prior to becoming executive directors of the Company) disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

For the year ended March 31, 2014

	Mr. Leung Choi Chan HK\$'000	Mr. Kin Choi Chan HK\$'000	Mr. Tat Choi Chan HK\$'000	Ms. Ning Liang HK\$'000	Total HK\$'000
Fees	—	—	—	—	—
Other emoluments					
— Salaries and other benefits	988	748	385	148	2,269
— Performance related incentive payments (<i>note</i>)	431	335	35	—	801
— Contribution to retirement benefit scheme	<u>15</u>	<u>15</u>	<u>14</u>	<u>13</u>	<u>57</u>
	<u>1,434</u>	<u>1,098</u>	<u>434</u>	<u>161</u>	<u>3,127</u>

For the year ended March 31, 2015

	Mr. Leung Choi Chan HK\$'000	Mr. Kin Choi Chan HK\$'000	Mr. Tat Choi Chan HK\$'000	Ms. Ning Liang HK\$'000	Total HK\$'000
Fees	—	—	—	—	—
Other emoluments					
— Salaries and other benefits	1,069	811	452	166	2,498
— Performance related incentive payments (<i>note</i>)	1,103	655	39	—	1,797
— Contribution to retirement benefit scheme	18	18	18	21	75
	<u>2,190</u>	<u>1,484</u>	<u>509</u>	<u>187</u>	<u>4,370</u>

For the year ended March 31, 2016

	Mr. Leung Choi Chan HK\$'000	Mr. Kin Choi Chan HK\$'000	Mr. Tat Choi Chan HK\$'000	Ms. Ning Liang HK\$'000	Total HK\$'000
Fees	—	—	—	—	—
Other emoluments					
— Salaries and other benefits	1,157	869	492	173	2,691
— Performance related incentive payments (<i>note</i>)	303	378	191	—	872
— Contribution to retirement benefit scheme	18	18	18	26	80
	<u>1,478</u>	<u>1,265</u>	<u>701</u>	<u>199</u>	<u>3,643</u>

For the three-month period ended June 30, 2015

	Mr. Leung Choi Chan HK\$'000 (unaudited)	Mr. Kin Choi Chan HK\$'000 (unaudited)	Mr. Tat Choi Chan HK\$'000 (unaudited)	Ms. Ning Liang HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Fees	—	—	—	—	—
Other emoluments					
— Salaries and other benefits	289	217	123	43	672
— Performance related incentive payments (<i>note</i>)	—	—	—	—	—
— Contribution to retirement benefit scheme	5	5	5	6	21
	<u>294</u>	<u>222</u>	<u>128</u>	<u>49</u>	<u>693</u>

For the three-month period ended June 30, 2016

	Mr. Leung Choi Chan HK\$'000	Mr. Kin Choi Chan HK\$'000	Mr. Tat Choi Chan HK\$'000	Ms. Ning Liang HK\$'000	Total HK\$'000
Fees	—	—	—	—	—
Other emoluments					
— Salaries and other benefits	288	216	123	42	669
— Performance related incentive payments (<i>note</i>)	—	—	—	—	—
— Contribution to retirement benefit scheme	5	5	5	6	21
	<u>293</u>	<u>221</u>	<u>128</u>	<u>48</u>	<u>690</u>

Employees

The five highest paid individuals of the Group include three directors of the Company for each of the reporting period, details of whose remunerations are set out above. Details of the remuneration for the Relevant Periods of the remaining two highest paid employees who are neither director nor chief executive of the Company are as follows:

	For the year ended March 31,			For the three-month period ended June 30,	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Salaries and allowances	695	726	793	198	323
Performance related incentive payments (<i>note</i>)	129	89	204	—	—
Contributions to retirement benefits schemes	34	35	36	9	4
	<u>858</u>	<u>850</u>	<u>1,033</u>	<u>207</u>	<u>327</u>

Note: The performance related incentive payments are determined on the performance of the individuals and the profitability of the group entities for the Relevant Periods.

The number of these highest paid individuals, whose emolument fell within the following bands is as follows:

	Number of employees For the year ended March 31,			Number of employees For the three-month period ended June 30,	
	2014	2015	2016	2015	2016
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the Relevant Periods.

15. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. However, the subsidiaries of the Group had declared interim dividends in respect of the relevant financial year to their shareholders and non-controlling shareholders during the Relevant Periods as follows:

	For the year ended March 31,			For the three-month period ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Top Mark	3,000	12,000	7,852	—	—
Tristate International	9,000	12,000	—	—	—
	<u>12,000</u>	<u>24,000</u>	<u>7,852</u>	<u>—</u>	<u>—</u>
Analyzed for financial reporting purpose:					
— Dividends paid to Controlling Shareholders	7,500	18,000	7,852	—	—
— Dividends paid to non-controlling shareholders of Tristate International	4,500	6,000	—	—	—
	<u>12,000</u>	<u>24,000</u>	<u>7,852</u>	<u>—</u>	<u>—</u>

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regards to the purpose of this report.

16. EARNINGS (LOSSES) PER SHARE

	Year ended March 31			Three-month period ended June 30	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings (losses):					
Earnings (losses) for the purpose of calculating basic earnings (losses) per share (Profit (loss) for the year/period attributable to the owners of the Company)	<u>18,887</u>	<u>21,141</u>	<u>26,974</u>	<u>6,252</u>	<u>(2,969)</u>
	'000	'000	'000	'000	'000
Number of shares:					
Number of ordinary shares for the purpose of calculating basic earnings (losses) per share	<u>204,656</u>	<u>295,013</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>

The number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined taking into account the capital contributions by shareholders during the Relevant Periods and on the assumption that the Group Reorganisation had been effective on April 1, 2013 and the 300,000,000 shares in issue upon completion of the Group Reorganisation.

No diluted earnings (losses) per share for the Relevant Periods was presented as there were no potential ordinary shares in issue during the Relevant Periods.

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machineries <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At April 1, 2013	1,523	1,057	12,784	834	16,198
Currency realignment	28	12	230	15	285
Additions	360	208	4,164	347	5,079
Disposal	—	(40)	—	—	(40)
	<u>1,911</u>	<u>1,237</u>	<u>17,178</u>	<u>1,196</u>	<u>21,522</u>
At March 31, 2014	1,911	1,237	17,178	1,196	21,522
Currency realignment	12	5	99	6	122
Additions	252	1,282	3,343	253	5,130
Disposal	—	(221)	—	—	(221)
	<u>2,175</u>	<u>2,303</u>	<u>20,620</u>	<u>1,455</u>	<u>26,553</u>
At March 31, 2015	2,175	2,303	20,620	1,455	26,553
Currency realignment	(110)	(55)	(879)	(53)	(1,097)
Additions	352	312	1,189	13	1,866
	<u>2,417</u>	<u>2,560</u>	<u>20,930</u>	<u>1,415</u>	<u>27,322</u>
At March 31, 2016	2,417	2,560	20,930	1,415	27,322
Currency realignment	(113)	(30)	(474)	(46)	(663)
Additions	1,342	—	82	646	2,070
Disposal	—	—	(2,244)	—	(2,244)
	<u>3,646</u>	<u>2,530</u>	<u>18,294</u>	<u>2,015</u>	<u>26,485</u>
At June 30, 2016	3,646	2,530	18,294	2,015	26,485
DEPRECIATION					
At April 1, 2013	854	597	3,621	690	5,762
Currency realignment	17	6	65	13	101
Provided for the year	293	211	1,696	175	2,375
Eliminated on disposals	—	(40)	—	—	(40)
	<u>1,164</u>	<u>774</u>	<u>5,382</u>	<u>878</u>	<u>8,198</u>
At March 31, 2014	1,164	774	5,382	878	8,198
Currency realignment	8	3	31	5	47
Provided for the year	285	457	2,285	156	3,183
Eliminated on disposals	—	(221)	—	—	(221)
	<u>1,457</u>	<u>1,013</u>	<u>7,698</u>	<u>1,039</u>	<u>11,207</u>
At March 31, 2015	1,457	1,013	7,698	1,039	11,207
Currency realignment	(76)	(35)	(357)	(48)	(516)
Provided for the year	229	633	2,355	165	3,382
	<u>1,610</u>	<u>1,611</u>	<u>9,696</u>	<u>1,156</u>	<u>14,073</u>
At March 31, 2016	1,610	1,611	9,696	1,156	14,073
Currency realignment	(46)	(22)	(220)	(29)	(317)
Provided for the period	95	140	483	84	802
Eliminated on disposals	—	—	(864)	—	(864)
	<u>1,659</u>	<u>1,729</u>	<u>9,095</u>	<u>1,211</u>	<u>13,694</u>
At June 30, 2016	1,659	1,729	9,095	1,211	13,694
CARRYING VALUES					
At March 31, 2014	<u>747</u>	<u>463</u>	<u>11,796</u>	<u>318</u>	<u>13,324</u>
At March 31, 2015	<u>718</u>	<u>1,290</u>	<u>12,922</u>	<u>416</u>	<u>15,346</u>
At March 31, 2016	<u>807</u>	<u>949</u>	<u>11,234</u>	<u>259</u>	<u>13,249</u>
At June 30, 2016	<u>1,987</u>	<u>801</u>	<u>9,199</u>	<u>804</u>	<u>12,791</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures and office equipment	20%
Motor vehicles	25%–30%
Plant and machineries	10%–25%
Leasehold improvements	20%–33%

18. INVENTORIES

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
Raw materials and consumables	8,588	12,257	11,968	12,264
Work in progress	2,798	4,068	1,011	4,280
Finished goods	<u>16,921</u>	<u>18,981</u>	<u>16,744</u>	<u>14,582</u>
	<u>28,307</u>	<u>35,306</u>	<u>29,723</u>	<u>31,126</u>

19. TRADE AND OTHER RECEIVABLES

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
Trade receivables	44,553	29,325	47,936	34,168
Other receivables				
— Value-added tax recoverable	2,549	3,095	2,232	1,052
— Prepayments and deferred listing expenses	790	1,217	1,015	5,215
— Deposits	567	2,453	819	925
— Other receivables	<u>133</u>	<u>69</u>	<u>104</u>	<u>668</u>
Total trade and other receivables	<u>48,592</u>	<u>36,159</u>	<u>52,106</u>	<u>42,028</u>

The Group grants an average credit period ranged from 30 days to 90 days upon delivery of goods to its customers. The following is an aged analysis of trade receivables based on delivery dates, net of allowance for doubtful debts at the end of each reporting period:

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
0 to 30 days	12,520	8,413	23,241	13,625
31 to 60 days	9,931	4,469	12,281	5,733
61 to 90 days	3,727	3,481	2,295	3,828
91 to 180 days	6,422	4,047	3,661	4,140
181 days to 1 year	5,303	4,265	4,646	4,097
Over 1 year	<u>6,650</u>	<u>4,650</u>	<u>1,812</u>	<u>2,745</u>
	<u>44,553</u>	<u>29,325</u>	<u>47,936</u>	<u>34,168</u>

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed periodically.

The management of the Group closely monitors the credit quality of trade receivables and considers the debts that are neither past due nor impaired to be of good credit quality. Trade receivables that are neither past due nor impaired relates to a wide range of customers for whom there was no history of default.

Included in the Group's trade receivables balance are debtors with aggregate carrying amounts of HK\$18,585,000, HK\$12,228,000, HK\$9,254,000 and HK\$10,690,000 as at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016 respectively which are past due at the end of the Relevant Periods for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables (based on invoice dates) which are past due but not impaired

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
0 to 30 days	3,387	1,587	2,223	2,313
31 to 60 days	1,937	1,642	2,014	1,476
61 to 90 days	574	1,319	463	1,323
91 to 180 days	3,690	2,603	1,374	2,573
181 days to 1 year	2,347	995	1,369	987
Over 1 year	<u>6,650</u>	<u>4,082</u>	<u>1,811</u>	<u>2,018</u>
	<u>18,585</u>	<u>12,228</u>	<u>9,254</u>	<u>10,690</u>

During the year ended March 31, 2014 and 2015, trade receivables of HK\$423,000 and HK\$865,000, respectively, were impaired and written off as they were proved to be uncollectible.

20. AMOUNTS DUE FROM (TO) SHAREHOLDERS/DIRECTORS/RELATED PARTIES/A SUBSIDIARY/IMMEDIATE HOLDING COMPANY

The Group

The amounts due from (to) shareholders, directors and related parties are detailed as follows:

	Maximum balances outstanding							For the three-month period ended June 30, 2016 HK\$'000
	As at March 31,			As at	For the year ended March 31,			
	2014	2015	2016	June 30,	2014	2015	2016	
	HK\$'000	HK\$'000	HK\$'000	2016	HK\$'000	HK\$'000	HK\$'000	
Amounts due from (to) shareholders								
Mr. Leung Choi Chan (note i)	(577)	2,778	(5,247)	(4,416)	N/A	4,773	2,778	N/A
Mr. Kin Choi Chan (note i)	461	1,380	(592)	(592)	461	1,380	1,380	N/A
Amount due from (to) directors								
Mr. Tat Choi Chan (note i)	—	(10)	(10)	(10)	N/A	N/A	N/A	N/A
Ms. Ning Liang (note i)	1,469	—	(1,202)	—	1,469	1,469	N/A	N/A
Amounts due from (to) related parties								
Top Champion Industries Limited (“Top Champion”) (note ii)	3,433	4,439	6,231	6,231	3,612	4,889	7,174	6,231
Grandearn Technology Co. Limited (“Grandearn”) (note iii)	10	—	—	—	10	10	N/A	N/A
Giga-Tech Rock Drilling Limited (“Giga-Tech”) (note iv)	(5,800)	(6,903)	110	110	N/A	N/A	110	110
Ms. Dan Liang (note v)	(931)	—	—	—	N/A	N/A	N/A	N/A
Ms. Lai Ngor Lee (note iii)	(88)	—	(4)	(4)	N/A	N/A	7	N/A

Notes:

- (i) The amounts due from (to) Mr. Leung Choi Chan, Mr. Kin Choi Chan, Mr. Tat Choi Chan and Ms. Ning Liang, spouse of Mr. Leung Choi Chan, are non-trade nature, unsecured, interest-free and repayable on demand.
- (ii) Mr. Leung Choi Chan is the controlling shareholder of Top Champion. The amount due from Top Champion is non-trade nature, unsecured, interest-free and repayable on demand.
- (iii) Ms. Lai Ngor Lee is the sister-in-law of Mr. Leung Choi Chan and the controlling shareholder of Grandearn. The amount due from Grandearn and amount due to Ms. Lai Ngor Lee are non-trade nature, unsecured, interest-free and repayable on demand.
- (iv) Ms. Ning Liang is the spouse of Mr. Leung Choi Chan and has joint control over in Giga-Tech. The amount due to Giga-Tech is non-trade nature, unsecured, interest-free and repayable on demand.
- (v) Ms. Dan Liang is the sister-in-law of Mr. Leung Choi Chan. The amount due to Ms. Dan Liang is non-trade nature, unsecured, interest-free and repayable on demand.

21. BANK DEPOSITS/BANK BALANCES AND CASH

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Pledged bank deposit	—	3,908	—	—
Fixed bank deposit	1,011	1,011	—	—
	<u>1,011</u>	<u>4,919</u>	<u>—</u>	<u>—</u>

The Group's bank balances and cash and bank deposits that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Denominated in US\$	946	322	7,155	4,144
Denominated in JPY	—	1,003	—	—
	<u>—</u>	<u>1,003</u>	<u>—</u>	<u>—</u>

Fixed bank deposit and bank balances and cash carry interests at fixed and variable rates ranging from 0.01% to 0.385% per annum for the Relevant Periods.

Pledged bank deposit represents deposits placed in a bank to secure general banking facilities granted to the Group and carries interest at a prevailing market rate of 0.125% per annum for the year ended March 31, 2015.

22. TRADE AND OTHER PAYABLES

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Trade payables	22,499	5,285	6,203	4,331
Payable for acquisition of property, plant and equipment (note 1)	2,450	2,515	—	—
Accrued expenses	3,628	2,355	2,187	3,399
Accrued listing expenses	—	—	800	8,183
Accrued housing provident fund	467	797	1,084	1,053
Other payables due to a non-controlling shareholder of Tristate International (note 2)	—	—	2,500	2,500
Other payables	128	519	206	264
	<u>29,172</u>	<u>11,471</u>	<u>12,980</u>	<u>19,730</u>

Notes:

- (1) As at March 31, 2014 and March 31, 2015 an amount of approximately HK\$2,450,000 and HK\$2,450,000 are payable to a company of which the non-controlling shareholder of Norry Tech has equity interests. The amount was unsecured, interest-free and repayable on demand.
- (2) The amount is unsecured, interest-free and repayable on demand.

The average credit period of trade payables granted by suppliers is from 30 to 60 days upon the issue of invoices.

The following is an aged analysis of trade payables based on the invoice dates at the end of the Relevant Periods.

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
0 to 30 days	4,731	4,973	3,364	2,148
31 to 60 days	4,443	9	2,129	895
61 to 90 days	2,648	201	105	687
91 to 180 days	2,374	53	535	575
181 days to 1 year	4,040	46	5	—
Over 1 year	4,263	3	65	26
	<u>22,499</u>	<u>5,285</u>	<u>6,203</u>	<u>4,331</u>

23. BANK BORROWINGS

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Bank loan, unsecured and guaranteed	8,518	6,173	3,709	—
Bank loan, secured and guaranteed	—	—	—	13,000
Trust receipt loans, secured	2,801	10,655	2,714	—
Trust receipt loans, secured and guaranteed	—	—	—	5,211
	<u>11,319</u>	<u>16,828</u>	<u>6,423</u>	<u>18,211</u>
Carrying amount repayable*:				
Within one year	5,146	13,119	5,304	11,549
In the second year	2,464	2,590	1,119	6,662
In the third to fifth years inclusive	3,709	1,119	—	—
	11,319	16,828	6,423	18,211
Less: Amount included under current liabilities (including bank loan with a repayable on demand clause)	<u>(11,319)</u>	<u>(16,828)</u>	<u>(6,423)</u>	<u>(18,211)</u>
Amount included under non-current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

* The amount due are based on scheduled repayment dates set out in loan agreement.

The Group's bank borrowings that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Denominated in EURO	—	—	—	1,623
Denominated in RMB	—	3,755	—	—
	<u>—</u>	<u>3,755</u>	<u>—</u>	<u>—</u>

The bank borrowings as at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016 carry interest at prime rate or prime rate plus certain basis points.

As at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, bank borrowings amounting to approximately HK\$8,518,000, HK\$6,173,000, HK\$3,709,000 and HK\$18,211,000 are personally guaranteed by Mr. Leung Choi Chan and Mr. Kin Choi Chan. Deposits held by Mr. Leung Choi Chan amounting to HK\$500,000 and properties held by a related company, Top Champion, are pledged to secure general banking facilities granted to the Group. The directors of the Company represent to us that the deposits, pledges and personal guarantees will be released and replaced by a corporate guarantee provided by the Company upon listing of Company's shares on the Stock Exchange.

24. DEFERRED TAX (ASSETS) LIABILITIES

The following is the deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Accelerated (accounting) tax depreciation HK\$'000
At April 1, 2013	(7)
Charge to profit or loss	<u>140</u>
At March 31, 2014	133
Charge to profit or loss	<u>175</u>
At March 31, 2015	308
Credit to profit or loss	<u>(136)</u>
At March 31, 2016	172
Credit to profit or loss	<u>(14)</u>
At June 30, 2016	<u><u>158</u></u>

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC companies from January 1, 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of deductible temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately HK\$925,000, HK\$1,985,000, HK\$5,467,000 and HK\$3,735,000, respectively, for the three years ended March 31, 2016 and as at June 30, 2016, as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. SHARE CAPITAL

The share capital as at April 1, 2013, March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016 represented the combined share capital of following companies:

Name of the companies	As at	As at	As at	As at	As at
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2016	June 30, 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Company (note)	N/A	N/A	N/A	—*	30,000
Hang Wing	N/A	N/A	N/A	—*	—
Top Mark	1,000	1,000	1,000	—	—
Maxa RockDrills	—	—	—	—	—
Norry Tech	7,500	9,500	11,500	11,500	—
Tristate International	5	5	5	—	—
Top Glory	—	—	10	—	—
	<u>8,505</u>	<u>10,505</u>	<u>12,515</u>	<u>11,500</u>	<u>30,000</u>

* Less than HK\$1,000

Details of movements of authorised and issued capital of the Company are as follows:

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.1 each		
Authorised:		
At incorporation and March 31, 2016	3,800,000	380,000
Increase during the three-month period ended June 30, 2016 (<i>note</i>)	<u>496,200,000</u>	<u>49,620,000</u>
At June 30, 2016	<u><u>500,000,000</u></u>	<u><u>50,000,000</u></u>
Issued and fully paid:		
At incorporation and March 31, 2016	10	1
Increase during the three-month period ended June 30, 2016 (<i>note</i>)	<u>299,999,990</u>	<u>29,999,999</u>
At June 30, 2016	<u><u>300,000,000</u></u>	<u><u>30,000,000</u></u>

Note: The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on March 17, 2016 with an authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares of par value of HK\$0.1 each. On May 30, 2016, the Company has increased its authorised share capital to HK\$50,000,000 divided into 500,000,000 ordinary shares with a par value of HK\$0.1 each and 299,999,990 ordinary shares were allotted and issued to Hang Yip in consideration of the Controlling Shareholders transferring their entire shareholdings in Hang Wing to the Company.

26. FINANCIAL INFORMATION OF THE COMPANY

(a) Investment in a subsidiary of the Company

	As at March 31, 2016 HK\$'000	As at June 30, 2016 HK\$'000
Unlisted equity investment	<u>—</u>	<u>79,611</u>

(b) Amount due from immediate holding company and amounts due to subsidiaries are unsecured, interest-free and repayment on demand.

(c) Reserves of the Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at the date of incorporation	—	—	—
Loss and total comprehensive expenses for the period	—	(1,013)	(1,013)
As at March 31, 2016	—	(1,013)	(1,013)
Loss and total comprehensive expenses for the period	—	(9,577)	(9,577)
Deemed contribution	49,611	—	49,611
As at June 30, 2016	<u>49,611</u>	<u>(10,590)</u>	<u>39,021</u>

27. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments in respect of its factory premises and staff quarters amounting to approximately HK\$2,208,000, HK\$2,141,000, HK\$3,228,000, HK\$617,000 (unaudited) and HK\$999,000 during the year ended March 31, 2014, March 31, 2015, March 31, 2016, the three-month period ended June 30, 2015 and June 30, 2016, respectively.

At the end of each of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at March 31,			As at
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	524	1,129	3,357	3,126
In the second to fifth years inclusive	213	538	9,216	9,194
Over fifth years	—	—	17,271	16,210
	<u>737</u>	<u>1,667</u>	<u>29,844</u>	<u>28,530</u>

Operating lease payments represent rentals payable by the Group for factory premises and staff quarters. These leases are negotiated for terms ranging from one to twelve years. None of the leases include any contingent rentals.

Included above are the commitments for future minimum lease payments to Top Champion, of which Mr. Leung Choi Chan, one of the controlling shareholders has control. The commitments for future minimum lease payments to Top Champion are as follows:

	As at March 31,			As at
	2014	2015	2016	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	180	408	806	263
In the second to fifth years inclusive	—	105	235	110
	<u>180</u>	<u>513</u>	<u>1,041</u>	<u>373</u>

28. PARTICULARS OF NON WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY

The table below shows details of non wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests (Note)					Profit (loss) allocated to non-controlling interests					Accumulated non-controlling interests			
		As at March 31,		As at June 30,	As at June 30,	For the year ended March 31,			For the three-month period ended June 30,		As at March 31,			As at June 30,	
		2014	2015	2016	2015	2016	2014	2015	2016	2015	2016	2014	2015	2016	2016
		(unaudited)					HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Norry Tech	PRC	50%	50%	50%	50%	49%	190	589	1,934	72	(862)	10,797	13,464	14,656	13,134
Tristate International	Hong Kong	50%	50%	50%	50%	49%	6,028	4,645	6,344	1,349	1,333	5,138	3,782	10,126	11,241
							<u>6,218</u>	<u>5,234</u>	<u>8,278</u>	<u>1,421</u>	<u>471</u>	<u>15,935</u>	<u>17,246</u>	<u>24,782</u>	<u>24,375</u>

Note: The directors of the Company assessed whether or not the Group has control in Norry Tech and Tristate International based on whether the Group has the practical ability to direct their relevant activities unilaterally.

The memorandum of articles of Tristate International has set out that resolutions of relevant activities requires simple majority vote in the board of directors' meetings. During the Relevant Periods, the Group has appointed one director, namely Ms. Kar Yee Law, the mother of the Controlling Shareholders, out of two directors of Tristate International. Pursuant to the shareholders' agreement, and statutory declaration the Group is entitled an additional casting vote in the board of directors meeting and the Group has the ability to direct the relevant activities of Tristate International.

On the other hand, the sole executive director of Norry Tech is the representative of the Group who has the power to make decisions over relevant activities. Pursuant to the shareholders' agreement, only the Group has the power to appoint the directors of Norry Tech. Accordingly, the Group has the ability to make decisions in respect of the relevant activities of Norry Tech.

The directors of the Company therefore consider that the Group has control over Norry Tech and Tristate International.

Summarised financial information in respect of the above two companies that have material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

Norry Tech

	As at March 31,			As at June 30,
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	<u>22,306</u>	<u>30,552</u>	<u>28,197</u>	<u>26,812</u>
Non-current assets	<u>11,881</u>	<u>12,305</u>	<u>11,202</u>	<u>11,925</u>
Current liabilities	<u>12,591</u>	<u>15,929</u>	<u>10,087</u>	<u>11,933</u>
Equity attributable to owners of Norry Tech	<u>21,596</u>	<u>26,928</u>	<u>29,312</u>	<u>26,804</u>

	For the year ended March 31,			For the three-month period ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>55,472</u>	<u>52,763</u>	<u>62,760</u>	<u>12,146</u>	<u>11,015</u>
Expenses	<u>55,092</u>	<u>51,585</u>	<u>58,892</u>	<u>12,002</u>	<u>12,747</u>
Profit (loss) for the year/period attributable to owners of Norry Tech	<u>380</u>	<u>1,178</u>	<u>3,868</u>	<u>144</u>	<u>(1,732)</u>
Other comprehensive income (expense) for the year/period attributable to owners of Norry Tech	<u>258</u>	<u>154</u>	<u>(1,484)</u>	<u>8</u>	<u>(776)</u>
Total comprehensive income (expense) for the year/period attributable to owners of Norry Tech	<u>638</u>	<u>1,332</u>	<u>2,384</u>	<u>152</u>	<u>(2,508)</u>
Net cash (outflow) inflow from operating activities	<u>(2,574)</u>	<u>(850)</u>	<u>(324)</u>	<u>(2,204)</u>	<u>2,078</u>
Net cash outflow from investing activities	<u>(2,431)</u>	<u>(2,246)</u>	<u>(1,434)</u>	<u>(30)</u>	<u>(1,774)</u>
Net cash inflow from financing activities	<u>4,000</u>	<u>4,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash (outflow) inflow	<u>(1,005)</u>	<u>904</u>	<u>(1,758)</u>	<u>(2,234)</u>	<u>304</u>

Tristate International

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
Current assets	<u>18,764</u>	<u>15,204</u>	<u>27,231</u>	<u>29,453</u>
Non-current assets	<u>—</u>	<u>10</u>	<u>9</u>	<u>8</u>
Current liabilities	<u>8,488</u>	<u>7,650</u>	<u>6,988</u>	<u>6,520</u>
Equity attributable to owners of Tristate International	<u>10,276</u>	<u>7,564</u>	<u>20,252</u>	<u>22,941</u>

	For the year ended March 31,			For the three-month period ended June 30,	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Revenue	<u>79,885</u>	<u>71,860</u>	<u>78,646</u>	<u>16,343</u>	<u>14,763</u>
Expenses	<u>67,829</u>	<u>62,570</u>	<u>65,958</u>	<u>13,645</u>	<u>12,074</u>
Profit and total comprehensive income for the year/ period attributable to owners of Tristate International	<u>12,056</u>	<u>9,290</u>	<u>12,688</u>	<u>2,698</u>	<u>2,689</u>
Net cash inflow (outflow) from operating activities	<u>9,801</u>	<u>9,192</u>	<u>(1,194)</u>	<u>3,403</u>	<u>1,499</u>
Net cash outflow from investing activities	<u>—</u>	<u>(14)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash (outflow) inflow from financing activities	<u>(9,392)</u>	<u>(10,848)</u>	<u>3,601</u>	<u>(2,462)</u>	<u>(957)</u>
Net cash inflow (outflow)	<u>409</u>	<u>(1,670)</u>	<u>2,407</u>	<u>941</u>	<u>542</u>

Change on ownership in subsidiaries

During the three-month period ended June 30, 2016, Tristate Hong Kong acquired an additional 1% equity interest in Norry Tech from the non-controlling shareholder Mr. Lap Wai Gary Chan at a consideration of RMB239,237 (equivalent to approximately HK\$284,800). An amount of HK\$230,000 (being the proportionate share of the carrying amount of net assets of Norry Tech) has been transferred from non-controlling interests. The difference of HK\$54,800 between the decrease in the non-controlling interests and the consideration paid has been debited to other reserve.

During the three-month period ended June 30, 2016, Hang Wing acquired an additional 1% equity interest in Tristate International from the non-controlling shareholder Ms. Siu Ling Linda Vane, the spouse of Mr. Lap Wai Gary Chan, at a consideration of HK\$191,760. An amount of HK\$100 (being the proportionate share of the carrying amount of net assets of Tristate International) has been transferred from non-controlling interests. The difference of HK\$191,660 between the decrease in the non-controlling interests and the consideration paid has been debited to other reserve.

29. RELATED PARTY DISCLOSURES

(i) Related party transactions

In addition to the transactions, balances and commitments disclosed elsewhere in the Financial Information, the Group had entered into the following significant transactions during each of the Relevant Periods:

Name of related company	Relationship	Nature of transaction	For the year ended March 31,					For the three-month period ended June 30,	
			2014	2015	2016	2015	2016	2015	2016
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Giga-Tech	Entity of which Ms. Ning Liang, the wife of Mr. Leung Choi Chan, has joint control	Rental expense of plant and machineries for production purpose	2,640	2,200	—	—	—	—	
Top Champion	Entity over which Mr. Leung Choi Chan has control	Rental expense of rented premises	180	483	716	99	188		
			<u>2,820</u>	<u>2,683</u>	<u>716</u>	<u>99</u>	<u>188</u>		

(ii) Personal guarantee from shareholders

Mr. Leung Choi Chan and Mr. Kin Choi Chan, the Controlling Shareholders have provided a personal guarantee in respective of the banking facilities granted to the Group to the extent of approximately HK\$8,518,000, HK\$6,173,000, HK\$3,709,000 and HK\$18,211,000 as at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016 respectively.

(iii) Pledge of assets held by a shareholder and a related company

As at March 31, 2014, March 31, 2015, March 31, 2016 and June 30, 2016, the general banking facilities granted by banks to the Group are secured by deposits held by Mr. Leung Choi Chan amounting to HK\$500,000 and properties held by a related company, Top Champion.

(iv) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods is as follows:

	For the year ended March 31,			For the three-month period ended June 30,	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and allowances	2,605	2,861	3,087	870	888
Performance related incentive payments	801	1,797	872	—	—
Contributions to retirement benefits schemes	<u>72</u>	<u>92</u>	<u>95</u>	<u>31</u>	<u>26</u>
	<u>3,478</u>	<u>4,750</u>	<u>4,054</u>	<u>901</u>	<u>914</u>

30. COMMITMENTS

	As at March 31,			As at
	2014	2015	2016	June 30,
	HK\$'000	HK\$'000	HK\$'000	2016
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	<u>18</u>	<u>7</u>	<u>38</u>	<u>88</u>

31. MAJOR NON-CASH TRANSACTION

During the year ended March 31, 2015, the proceed of issue of share amounting to HK\$10,000 has been offset through the current accounts of amounts due from a director.

During the year ended March 31, 2016, the Group has declared and paid dividends amounting to the Controlling Shareholders for a total amount of HK\$7,852,000 through offsetting the current accounts of amounts due from the shareholders.

32. RETIREMENT BENEFIT PLAN

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 (HK\$1,250 before June 1, 2014) per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expenses recognised in profit or loss of HK\$718,000, HK\$1,082,000, HK\$2,651,000, HK\$304,000 (unaudited) and HK\$365,000 for the year ended March 31, 2014, 2015 and 2016 and for the three-month period ended June 30, 2015 and 2016 respectively represent contributions paid and payable to these plans by the Group at rates specified in the rules of the plan.

33. CONTINGENT LIABILITIES

Historically and during the Relevant Periods, Norry Tech failed to promptly make registration of the housing provident fund for its employees. The total amount of housing provident fund contributions that Norry Tech failed to make during the Relevant Periods were HK\$275,000, HK\$330,000, and HK\$287,000 for the years ended March 31, 2014, 2015 and 2016, respectively which has been fully provided. Starting from April 2016, Norry Tech has made contributions to the housing provident fund for all its employees based on the rate agreed with the housing provident fund authority. The PRC legal adviser also advised Norry Tech may be subject to a fixed fine ranging from RMB10,000 to RMB50,000, in addition to the outstanding housing provident fund contributions underpaid if the employer failed to rectify such non-compliance within a specified period of time. The representative of the Group has visited the competent officer of the housing provident fund authority and reported such non-compliant incidents to them. The directors of the Company have, taking into account (i) the results of such visits, and (ii) the relevant facts and circumstances, and (iii) advice sought from the Group's PRC legal advisers, considered that it is not probable for Norry Tech to be requested to pay the relevant fine in respect of the underpaid amount, therefore, no provision for fine has been made.

(F) IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Hang Yip Company Limited (incorporated in the BVI), whose shareholders are Mr. Leung Choi Chan and Mr. Kin Choi Chan.

(G) DIRECTORS' REMUNERATION

Under the arrangement presently in force, each of the aggregate amount of the directors' remuneration for the year ending March 31, 2017 is estimated to be approximately HK\$3,800,000.

(H) EVENTS AFTER THE REPORTING PERIOD

On July 15, 2016, the board of directors of the Company have resolved to declare interim dividends of HK\$23,120,000 to the owners of the Company in respect of retained earning for the year ended March 31, 2016. In addition, interim dividends of HK\$5,880,000 was declared by the board of directors of subsidiaries on the same date to non-controlling shareholders of subsidiaries in respect of retained earning of the subsidiaries for the year ended March 31, 2016.

Pursuant to the written resolutions of the Company's shareholders dated December 23, 2016, the Company has approved the issuance of 80,000,000 shares standing to the credit of the share premium of the Company conditional on the initial public offering of the shares of the Company on or around the listing date, details are set out in Appendix IV to the Prospectus.

(I) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies comprising the Group have been prepared in respect of any period subsequent to June 30, 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountants' Report from the Company's reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Public Offer on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Public Offer had taken place on June 30, 2016.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016 or at any future dates following the Public Offer.

The following unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2016 as shown in the Accountants' Report as set out in Appendix I to this Prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016 HK\$'000 (Note 1)	Estimated net proceeds from the Public Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016 HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016 per share HK\$ (Note 3)
Based on the Offer Price of HK\$1.0 for each Offer Share	<u>68,011</u>	<u>59,903</u>	<u>127,914</u>	<u>0.34</u>
Based on the Offer Price of HK\$1.2 for each Offer Share	<u>68,011</u>	<u>75,263</u>	<u>143,274</u>	<u>0.38</u>

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Public Offer are based on 80,000,000 Offer Shares at Indicative Offer Price range of lower limit and upper limit of HK\$1.0 and HK\$1.2 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by the Group (excluding those expenses which had been recognised in profit or loss prior to June 30, 2016).
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 380,000,000 Shares comprise of shares in issue as at the date of this Prospectus and the shares to be issued pursuant to the Public Offer.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2016.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2016 does not take into account the interim dividends declared by the Company in July 2016, details of which are disclosed in the paragraph headed "Financial Information — Dividends" in this Prospectus.

Taking into account of the impact of interim dividends declared to the owners of the Company of HK\$23,120,000 and estimated net proceeds from the Public Offer at the Indicative Offer Price range of lower limit and upper limit of HK\$1.0 and HK\$1.2 per Share, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company will be HK\$104,794,000 and HK\$120,154,000, respectively. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after taken into account of the such interim dividends declared by the company, estimated net proceeds from the Public Offer at the Indicative Offer Price range of lower limit and upper limit of HK\$1.0 and HK\$1.2 per Offer Share, will be HK\$0.28 per Share and HK\$0.32 per Share, respectively.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Yuk Wing Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yuk Wing Group Holdings Limited 煜榮集團控股有限公司 (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 statement of unaudited pro forma adjusted consolidated net tangible assets as at June 30, 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated December 30, 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited by way of initial public offering (the "Public Offer") on the Group's financial position as at June 30, 2016 as if the Public Offer had taken place at June 30, 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended March 31, 2016 and for the three-month period ended June 30, 2016, on which an accountants' report set out in Appendix I to the 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 paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS’ RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in 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 Public Offer at June 30, 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
December 30, 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 March 17, 2016 under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Cayman Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

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 Cayman 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 December 15, 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to 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.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (1) increase its share capital by the creation of new shares;
- (2) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (3) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (4) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (5) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) 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 Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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. 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 that share.

The board may, in its absolute discretion, at any 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.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it 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 newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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.

(b) Directors*(i) Appointment, retirement 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.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power 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.

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 members of the Company may by ordinary resolution appoint another in his place. 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 if:

- (1) he resigns by notice in writing delivered to the Company;
- (2) he becomes of unsound mind or dies;
- (3) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (4) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (5) he is prohibited from being a director by law; or

- (6) 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 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 must, 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.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman 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 (a) 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), or (b) on terms that, at the option of the Company or the holder thereof, it is 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 determine.

Subject to the provisions of the Cayman Companies Law and the Articles and, where applicable, the rules of Stock Exchange 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 are 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 is 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.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

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 Cayman Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Cayman 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.

(v) Remuneration

The ordinary remuneration of the Directors is to 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 are also 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 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 and such other benefits 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.

(vi) 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.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) 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 upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the 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. 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 favor 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.

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 must 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 is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (1) 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;
- (2) 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;
- (3) 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;
- (4) 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
- (5) 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.

(c) Proceedings of the Board

The board may meet for the dispatch 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.

(d) Alterations to constitutional documents and the Company's name

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.

(e) Meetings of members*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, 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.

Under the Cayman Companies Law, 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 of which notice has been duly given held in accordance with the Articles

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every 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 authorization 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 Stock Exchange, 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.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year 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 the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) Business Days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) Business Days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time 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, must 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.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong

Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each the following business is deemed an ordinary business:

- (1) the declaration and sanctioning of dividends;
- (2) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (3) the election of directors in place of those retiring;
- (4) the appointment of auditors and other officers;
- (5) the fixing of the remuneration of the directors and of the auditors;
- (6) 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
- (7) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is 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 is 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.

(f) 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 Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must 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 must 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 Stock Exchange, 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.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. 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 which be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

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 Cayman 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.

(h) Inspection of corporate records

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\$2.5 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 Cayman Companies Law or, upon a maximum payment of HK\$1.0 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of 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 Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution 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 is 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 is 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 Cayman 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.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman 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 Cayman Companies Law and, therefore, operates subject to Cayman Islands 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) Company 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 Cayman 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 Cayman 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 Cayman 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 Cayman 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.

(c) Financial assistance to purchase shares of a company or its holding company

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

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 Cayman 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 is to 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 is not be treated as a member for any purpose and must 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 must not be voted, directly or indirectly, at any meeting of the company and must 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 Cayman Companies Law.

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

The Cayman 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. With the exception of the foregoing, there are 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.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The 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) Disposal of assets

The Cayman 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 must 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.

An exempted company must 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.

(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 April 12, 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 Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Cayman 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.

(n) Register of members

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 must be kept in the same manner in which a

principal register is by the Cayman Companies Law required or permitted to be kept. The company shall cause a duplicate of any branch register duly entered up to be kept at the place where the company's principal register is kept from time to time.

There is no requirement under the Cayman 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.

(o) Register of Directors and Officers

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.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) 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 therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if

more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how 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. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) 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.

(r) Take-overs

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.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, 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 Cayman 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 GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on March 17, 2016. We have established a principal place of business in Hong Kong at Unit B, 17/F, E-Trade Plaza, No. 24 Lee Chung Street, Chai Wan, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 24, 2016 under the same address. Mr. Eric Chan and Mr. Jonathan Edward Chun-chung Chow have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in the section headed “Summary of the Constitution of our Company and Cayman Companies Law” in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of HK\$380,000, divided into 3,800,000 Shares of a par value of HK\$0.1 each. One initial subscriber Share was transferred to Hang Yip on March 17, 2016 and nine Shares were allotted and issued fully paid at par value to Hang Yip on March 17, 2016. Hang Yip became the sole Shareholder of our Company.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- (a) On May 30, 2016, the authorized share capital of our Company was increased to HK\$50,000,000 consisting of 500,000,000 Shares with a par value of HK\$0.1 each.
- (b) On May 30, 2016, 299,999,990 Shares with a par value of HK\$0.1 each were issued and allotted to Hang Yip as fully paid shares.

Immediately following the completion of the Public Offer, the issued share capital of our Company will be HK\$38,000,000, divided into 380,000,000 Shares of HK\$0.1 each, all fully paid or credited as fully paid and 120,000,000 Shares of HK\$0.1 each will remain unissued.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Written Resolutions of our sole Shareholder

Pursuant to the written resolutions of our sole Shareholder passed on December 15, 2016, resolutions were passed under which, among other things, the Memorandum was adopted with immediate effect and the Articles of Association were conditionally adopted with effect from Listing.

Pursuant to the written resolutions of our sole Shareholder passed on December 23, 2016, resolutions were passed under which, among other things:

- (a) conditional on (1) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus, (2) the Offer Price having been agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), and (3) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the Underwriting Agreement:
 - (i) the Public Offer was approved and the Directors were authorized to approve the allotment and issue of the Offer Shares;
 - (ii) a general unconditional mandate was granted to our Directors to allot, issue and deal with, otherwise than by way of rights or pursuant to the exercise of any options which may be granted under any share option scheme or by virtue of scrip dividend schemes or similar arrangements in accordance with our Articles, Shares with an aggregate nominal value not exceeding:
 - (1) 20% of the aggregate nominal value of our share capital in issue and to be issued as mentioned in this prospectus; and
 - (2) the aggregate nominal amount of our share capital repurchased under the authority referred to in sub-paragraph (iv) below; and
 - (iii) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange, such number of Shares that will represent up to 10% of the aggregate nominal value of our issued share capital immediately following completion of the Public Offer, and the said approval shall be limited accordingly.

Each of the general mandates referred to in paragraphs (a)(ii) and (iii) above will remain in effect until the earliest of:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which our next annual general meeting is required to be held; or

- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.
- (b) the form and substance of each of the service agreements made between our Executive Directors and us, and the form and substance of each of the appointment letters made between each of our Independent Non-executive Directors with us were approved.

4. Group Reorganization

The companies comprising our Group underwent a reorganization in preparation for the Listing. Please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountants’ Report set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report, we do not have any other subsidiaries.

Save as disclosed herein and in paragraph 4 of this Appendix to and the section headed “History, Reorganization and Corporate Structure” in this prospectus, no other alterations in the share capital of each of our Company’s subsidiaries took place within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders’ approval

All proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

Pursuant to the written resolutions of our sole Shareholder passed on December 23, 2016, our Directors were granted a general unconditional mandate (the “**repurchase mandate**”) to repurchase on the Stock Exchange, or any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange, such number of Shares with an aggregate nominal value not exceeding 10% of our share capital in issue and to be issued as mentioned in this prospectus.

The repurchase mandate will remain in effect until the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the expiration of the period within which our next annual general meeting is required to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Repurchases of Shares must only be funded out of funds legally permitted to be utilized in this connection (namely profits of our Company, share premium account of our Company or the proceeds from a new issue of shares made for the purpose of the repurchase, or, if so authorized by its articles of association and subject to the Cayman Companies Law, out of capital) in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. Any premium on a repurchase may be made out of profits of our Company or from sums standing to the credit of our Company's share premium account or, if so authorized by its articles of association and subject to the Cayman Companies Law, out of capital. A company may not repurchase its own securities 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.

(iii) Trading restrictions

The total number of shares which we are authorized to repurchase on the Stock Exchange is such number of shares which represents up to a maximum of 10% of our existing issued share capital as of the date of the resolution approving the repurchase. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

(iv) Shares to be purchased

The Listing Rules provide that the shares which are proposed to be purchased by a company must be fully paid up.

(v) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased securities are to be treated as cancelled, and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares accordingly.

(vi) *Suspension of repurchases*

Securities repurchases are prohibited after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been publicly announced. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vii) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session (Hong Kong time) on the following Business Day. In addition, our Company's annual report is required to disclose details regarding repurchases of securities made during the year, including the monthly breakdown of the number of securities repurchased, purchase price per share and the aggregate price paid. The directors' report shall contain reference to the purchases made during the year and the reasons for making such purchases.

(viii) *Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to the company.

(b) *Share capital*

Exercise in full of the repurchase mandate, on the basis of 380,000,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 38,000,000 Shares being repurchased by us during the course of the period prior to the date on which such repurchase mandate expires or terminates (as referred to in paragraph (a)(i) above).

(c) *General information relevant to the repurchase mandate*

- (i) Our Directors believe that it is in the best interests of us and our Shareholders to have a general authority from the Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of shares will only be made when our Directors believe that such repurchases will benefit us and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net value and our assets and/or our earnings per Share.
- (ii) There might be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised in full. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels, which in the opinion of our Directors are from time to time appropriate for us.
- (iii) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention to sell any Shares to us or our subsidiaries if the repurchase mandate is exercised.
- (iv) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate only in accordance with the Listing Rules and the applicable laws of the Cayman Islands. We shall procure the broker who affects the repurchase of securities to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.
- (v) If as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder (or a group of shareholders acting in concert, as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed in this prospectus, our Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.
- (vi) No connected person (as defined in the Listing Rules) has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) sale and purchase deed between Mr. Kenneth Chan, Mr. Alan Chan, Hang Wing and our Company dated May 30, 2016, as amended by an amendment deed dated July 15, 2016, in relation to the transfer of shares in Top Mark, Top Glory, Maxa RockDrills and Tristate International;
- (b) share transfer agreement dated May 30, 2016 entered into between Ms. Ning Liang and Tristate Hong Kong in relation to the transfer of equity interest of Norry Tech;
- (c) share transfer agreement dated May 30, 2016 entered into between Mr. Gary Chan and Tristate Hong Kong in relation to the transfer of equity interest of Norry Tech;
- (d) share sale and purchase agreement dated May 31, 2016 entered into between Ms. Siu Ling Linda Vane, Mr. Gary Chan and Hang Wing in relation to the transfer of shares in Tristate International;
- (e) the lock-up agreement dated December 29, 2016 executed by our Controlling Shareholders in favor of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters containing certain lock-up undertakings in relation to their shareholding in our Company;
- (f) the deed of indemnity dated December 20, 2016 executed by our Controlling Shareholders in favor of our Company (for ourselves and on behalf of our subsidiaries) containing the indemnities referred to in the paragraph headed “D. Other Information — 1. Tax and other indemnities” in this appendix;
- (g) the Deed of Non-competition; and
- (h) the Underwriting Agreement.

2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.




(a) Domain Names

As at the Latest Practicable Date, we have registered the following domain names which are material to our business:





Domain Name	Registrant	Expiry Date
dthmaxa.com	Maxa RockDrills	April 16, 2018
yukwing.com	Top Mark	May 26, 2017

(b) Trademarks

As of the Latest Practicable Date, Top Mark was the registered user of the following trademarks and our Group was licensed to use the following trademarks which are material to our business:

Trademark	Place of Registration	Registrant	Class	Registration No.	Validity Period
	Australia	Top Mark	7	1721902	10 years, from September 16, 2015
	European Union	Top Mark	7 and 37	014574438	10 years, from September 18, 2015
	Hong Kong	Top Mark	7	303532644	10 years, from September 10, 2015
					
	Macau	Top Mark	7	N/104698	7 years, from May 12, 2016

As of the Latest Practicable Date, Top Mark had applied for the registration of the following trademarks which are material to our business:

Trademark	Place of Registration	Registrant	Class	Registration No.	Application Date
	Canada	Top Mark	7	1746171	September 16, 2015
	India	Top Mark	7	3067318	September 29, 2015
	PRC	Top Mark	7	18043212	October 12, 2015
	U.S.	Top Mark	7	86/774,792	October 1, 2015

(c) Patents

As of the Latest Practicable Date, our material patents were as follows:

Patent	Place of Registration	Patent No.	Patent holder	Validity Period
Annulus ring hole drill	Australia	2012214033	Top Mark	20 years, from February 10, 2012
	Canada	2,818,859	Top Mark	20 years, from February 10, 2012
	Hong Kong ⁽¹⁾	HK 1156182	Top Mark	8 years, from February 10, 2012
	Macau	J/2060	Top Mark	20 years, from February 10, 2012
	New Zealand	608827	Top Mark	20 years, from February 10, 2012
	PRC ⁽²⁾	ZL 201280001503.X	Top Mark	20 years, from February 10, 2012
	Russia	2553697	Top Mark	20 years, from February 10, 2012
	United States	9,322,216	Top Mark	From February 10, 2012 to November 21, 2032

Patent	Place of Registration	Patent No.	Patent holder	Validity Period
Method and apparatus for controlling the operation of cluster drill of down-the-hole hammers	Australia	2013200459	Top Mark	20 years, from January 30, 2013
	Canada	2,803,530	Top Mark	20 years, from January 30, 2013
	Hong Kong ⁽³⁾	HK 1155608	Top Mark	8 years, from February 10, 2012
	Macau	J/2096	Top Mark	20 years, from November 29, 2012
	New Zealand	606411	Top Mark	20 years, from January 30, 2013
	PRC ⁽⁴⁾	ZL 201210499706.8	Top Mark	20 years, from November 29, 2012
	Russia	2540132	Top Mark	20 years, from January 31, 2013
	United States	9,175,517	Top Mark	From February 8, 2013 to December 7, 2033

Notes:

- (1) Title of patent in Hong Kong registered as “鑽環形孔的鑽孔機 Annulus Ring Hole Drill”.
- (2) Title of patent in PRC registered as “環形孔鑽孔機”.
- (3) Title of patent in Hong Kong registered as “下洞敲擊錘集群的操作方法和儀器 Method and Apparatus for controlling the operation of cluster drill of down-the-hole hammers”.
- (4) Title of patent in PRC registered as “用於鑽孔的裝置”.

As of the Latest Practicable Date, we have applied for the registration of the following patents:

Patent	Place of Application	Application Number	Applicant	Application Date
Annulus ring hole drill	European Union	12745269.6	Top Mark	May 21, 2013
	Hong Kong ⁽⁵⁾	14103157.7	Top Mark	April 2, 2014
Method and apparatus for controlling the operation of cluster drill of down-the-hole hammers	European Union	13154119.5	Top Mark	February 6, 2013
	Hong Kong ⁽⁶⁾	13112916.1	Top Mark	November 19, 2013

Notes:

- (5) Title of patent under registration application is “鑽環形孔的鑽孔機 Annulus Ring Hole Drill”.

- (6) Title of patent under registration application is “下洞敲擊錘集群的操作方法和儀器 Method and Apparatus for controlling the operation of cluster drill of down-the-hole hammers”.

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights of the Group, which are or may be material in relation to our Group’s business as at the Latest Practicable Date.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of our Directors*

Immediately following completion of the Public Offer, the interests and short positions of each of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been under such provisions of the SFO), or will be required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, will be as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares or securities held ⁽¹⁾	Approximate percentage of interest immediately following the completion of the Public Offer
Mr. Kenneth Chan ⁽²⁾	Interest in a controlled corporation	224,000,000 (L)	59.0%
Mr. Alan Chan ⁽²⁾	Interest in a controlled corporation	56,000,000 (L)	14.7%

Notes:

- (1) The Letter “L” denotes a person’s long position (as defined under part XV of the SFO) in such Shares.
- (2) Our Company will be held as to approximately 73.7% by Hang Yip immediately following the completion of the Public Offer. Hang Yip will continue to be held as to 80% by Mr. Kenneth Chan and 20% by Mr. Alan Chan.

(b) Interests of the Substantial Shareholders

Information on the persons (not being a Director or chief executive of our Company) who will, immediately following the completion of the Public Offer, have or be deemed to have an interest or short position in the Shares and underlying shares of our Company 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 is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group is set out in the section headed “Substantial Shareholders” in this prospectus.

2. Directors’ Service Contracts

1. Particulars of Directors’ service contracts

Each of our Executive Directors, Mr. Kenneth Chan, Mr. Alan Chan, Mr. Eric Chan and Ms. Ning Liang has entered into a service contract with us for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by not less than six months’ written notice. Particulars of these service contracts are in all material respects the same except as indicated below:

- (a) Mr. Kenneth Chan, Mr. Alan Chan, Mr. Eric Chan and Ms. Ning Liang will receive an annual salary (including benefits in kind but excluding discretionary bonuses) of HK\$1.5 million, HK\$1.3 million, HK\$0.7 million and HK\$0.2 million, respectively, subject to annual review by our Board and our Remuneration Committee; and
- (b) each of Mr. Kenneth Chan, Mr. Alan Chan, Mr. Eric Chan and Ms. Ning Liang will receive a discretionary bonus as may be determined by our Board and our Remuneration Committee based on the relevant Director’s performance of his duties and our Company’s earnings.

Each of our Independent Non-executive Directors, Mr. Lewis Chan, Mr. Chun Fung Lam and Mr. Lok Man Richard Sung, has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date unless terminated by three months’ written notice or in certain circumstances in accordance with the terms of the relevant letter of appointment. The basic annual remuneration payable by our Company to our Independent Non-executive Directors according to their respective letter of appointment will be HK\$100,000.

2. Directors’ remuneration

For the three years ended March 31, 2016 and the three months ended June 30, 2016, the aggregate remuneration (including fees and other benefits, performance related incentive payments and contribution to retirement benefit scheme) paid to Directors by our Group was approximately HK\$3.1 million, HK\$4.4 million, HK\$3.6 million and HK\$0.7 million, respectively.

Under the arrangements currently in place, the estimated aggregate amount that our Directors will be entitled to receive in the form of remuneration and benefits in kind for the year ending March 31, 2017 is approximately HK\$3.8 million.

3. *Directors' Competing Interests*

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

4. *Miscellaneous*

Mr. Kenneth Chan was a director of Top Champ Engineering Company Limited, which was a company incorporated in Hong Kong and dissolved by striking off on June 9, 2006, pursuant to Section 291 of the Predecessor Companies Ordinance. Top Champ Engineering Company Limited was principally engaged in leasing machines and became inactive prior to its dissolution. Mr. Kenneth Chan confirmed that the said company was solvent and dormant with no outstanding liabilities at the time of its being struck off and as far as he is aware, the dissolution of the said company has not resulted in any liability or obligation to be imposed against him.

Mr. Lewis Chan was a director of How to HK Limited, which was incorporated in Hong Kong and was dissolved by striking off on November 25, 2011, pursuant to Section 291 of the Predecessor Companies Ordinance. How to HK Limited was inactive and being an investment holding company. Mr. Lewis Chan confirmed that the said company was solvent and dormant with no outstanding liabilities at the time of its being struck off and as far as he is aware, the dissolution of the said company has not resulted in any liability or obligation to be imposed against him.

5. *Disclaimers*

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken 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 in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and 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 is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

- (c) none of the Directors nor any of the persons listed in the section headed “D. Other Information — 5. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors nor any of the persons listed in the section headed “D. Other Information — 5. Qualification of Experts” below is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in the section headed “D. Other Information — 5. Qualification of Experts” below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (f) save as contemplated under the Underwriting Agreements, none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company, has any interest in our Company’s five largest customer and five largest suppliers.

D. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders entered into a deed of indemnity with and in favor of our Company (for ourselves and on behalf of our subsidiaries) to provide certain indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject and payable before the Listing Date and any claims, fines and liabilities to which any member of our Group may be subject and payable before the Listing Date as a result of any regulatory non-compliance. The Directors have also been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong, the Cayman Islands and the PRC.

2. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Our Business — Legal Proceedings and Legal Compliance” in this prospectus, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, finance condition or results of operations.

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, the Shares to be issued pursuant to the Public Offer. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of HK\$6,500,000 for acting as the sponsor for the Listing.

4. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2016 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Octal Capital Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities under the SFO
AnJie Law Firm	PRC Legal Advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Henry H.G. Cheng	Barrister-at-law in Hong Kong
Deloitte Touche Tohmatsu	Certified Public Accountants
Baker Tilly Hong Kong Risk Assurance Limited	Internal Control Consultant
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent Industry Consultant
RSM Tax Advisory (Hong Kong) Limited	Tax Adviser

6. Consents of Experts

Each of Octal Capital Limited, AnJie Law Firm, Conyers Dill & Pearman, Mr. Henry H.G. Cheng, Deloitte Touche Tohmatsu, Baker Tilly Hong Kong Risk Assurance Limited, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and RSM Tax Advisory (Hong Kong) Limited has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Public Offer and the related transactions described in this prospectus.

8. Preliminary Expenses

The preliminary expenses incurred by our Company in relation to our incorporation were approximately US\$8,030 and were paid by us.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name	:	Hang Yip Company Limited 鏗業有限公司
Description	:	Investment holding company
Address of the registered office	:	Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town, Tortola British Virgin Islands VG1110
Number of the Sale Shares to be sold	:	20,000,000

A statement of particulars of the Selling Shareholder has been attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commission, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

- (b) Our Directors confirm that:
 - (i) there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus; and
 - (ii) our Company has no outstanding convertible debt securities or debentures.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made enabling our Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were: (a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (b) the written consents referred to in the section headed “D. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus; (c) copies of the material contracts referred to in the section headed “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 offices of Latham & Watkins, 18th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Cayman Companies Law;
- (c) the accountants’ report on financial information of our Group for the three years ended March 31, 2016 and the three months ended June 30, 2016 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (d) the independent reporting accountants’ assurance report on the compilation of unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the audited consolidated financial statements of our Group for each of the three years ended March 31, 2016 and the three months ended June 30, 2016;
- (f) the letter prepared by Conyers Dill & Pearman summarizing certain aspects of the Cayman Companies Law as referred to in Appendix III to this prospectus;
- (g) the material contracts referred to in the section headed “B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the section headed “D. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus;
- (i) the service contracts and letters of appointment referred to in the section headed “C. Further Information about our Directors and Substantial Shareholders — 2. Directors’ Service Contracts” in Appendix IV to this prospectus;
- (j) the industry report prepared by Frost & Sullivan;
- (k) the PRC legal opinions dated the date of this prospectus issued by AnJie Law Firm, our PRC Legal Advisers, in respect of certain aspects of our Group and our property interests;

- (l) the legal opinion prepared by Mr. Henry H.G. Cheng, barrister-at-law in Hong Kong, in respect of compliance matters in connection with the Competition Ordinance and the Inland Revenue Ordinance;
- (m) the tax opinion prepared by RSM Tax Advisory (Hong Kong) Limited, in respect of the transfer pricing arrangement of the Group; and
- (n) the statement of particulars of the Selling Shareholder referred to in the paragraph headed “Statutory and General Information — D. Other Information — 11. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

Yuk Wing Group Holdings Limited
煜榮集團控股有限公司