

PROGRESSIVE PATH GROUP HOLDINGS LIMITED

進昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1581

SHARE OFFER

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Joint Bookrunners and Joint Lead Managers

AmCap

Ample Orient Capital Limited
豐盛東方資本有限公司

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

IMPORTANT

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

Progressive Path Group Holdings Limited 進昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 250,000,000 Shares comprising 175,000,000 New Shares and 75,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 25,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 225,000,000 Shares comprising 150,000,000 New Shares and 75,000,000 Sale Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$0.6 per Offer Share and expected to be not less than HK\$0.4 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\$0.01 per Share
Stock code	: 1581

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

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

The Offer Price is expected to be determined by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters). The Offer Price will be not more than HK\$0.6 per Offer Share and is expected to be not less than HK\$0.4 per Offer Share, unless otherwise announced.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our Company's consent (for ourselves and on behalf of the Selling Shareholder), reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.ppg.hk not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before Saturday, 3 December 2016 or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse immediately.

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

The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Lead Managers (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 – Public Offer – Grounds for termination" of this prospectus.

28 November 2016

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at www.ppgh.com.hk and the Stock Exchange at www.hkexnews.hk.

Latest time to complete electronic applications
under the **HK eIPO White Form** service through
the designated website www.hkeipo.hk⁽²⁾ 11:30 a.m. on
Thursday, 1 December 2016

Application lists open⁽³⁾ 11:45 a.m. on
Thursday, 1 December 2016

Latest time for lodging **WHITE** and **YELLOW**
Application Forms 12:00 noon on
Thursday, 1 December 2016

Latest time for giving **electronic**
application instructions to HKSCC⁽⁴⁾ 12:00 noon on
Thursday, 1 December 2016

Latest time to complete payment of
HK eIPO White Form applications by
effecting internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on
Thursday, 1 December 2016

Application lists close⁽³⁾ 12:00 noon on
Thursday, 1 December 2016

Expected Price Determination Date⁽⁵⁾ Friday, 2 December 2016

Announcement of the final Offer Price, the level
of indication of interest in the Placing, the level
of applications in the Public Offer and the basis
of allocation of the Public Offer Shares to be
published on the website of our Company at
www.ppgh.com.hk⁽⁶⁾ and the Stock Exchange at
www.hkexnews.hk on or before. Wednesday, 7 December 2016

EXPECTED TIMETABLE⁽¹⁾

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 Public Offer Shares – 11. Publication of results" of this prospectus including the website of our Company at www.ppg.com.hk⁽⁶⁾ and the Stock Exchange at www.hkexnews.hk from Wednesday, 7 December 2016

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function from Wednesday, 7 December 2016

Despatch/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⁾⁽⁹⁾ Wednesday, 7 December 2016

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions and despatch/collection of refund cheques 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⁾⁽⁹⁾ Wednesday, 7 December 2016

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Thursday, 8 December 2016

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. You will not be permitted to submit your application 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, 1 December 2016, the application lists will not open on that day. See "How to Apply for Public Offer Shares – 10. Effect of bad weather on the opening of the application lists" of this prospectus.
4. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed "How to Apply for Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS" of this prospectus.
5. The Price Determination Date is expected to be on or around Friday, 2 December 2016 and in any event, no later than Saturday, 3 December 2016. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) by Saturday, 3 December 2016, the Share Offer will not proceed and will lapse.

EXPECTED TIMETABLE⁽¹⁾

6. None of the website or any of the information contained on the website forms part of this prospectus.
7. Share certificates will only become valid at 8:00 a.m. on Thursday, 8 December 2016 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination” of this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
9. Applicants who apply on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 December 2016 or such other date as notified by our Company on the website of our Company at www.ppggh.com.hk or the Stock Exchange at www.hkexnews.hk as the date of despatch/collection of Share certificates/refund cheques/e-Refund payment instructions. Applicants being individuals who opt for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company’s Hong Kong Branch Share Registrar at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants’ stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies – Personal Collection – (iv) If you apply via Electronic Application Instructions to HKSCC” of this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed “How to Apply for Public Offer Shares – 13. Refund of application monies” and “How to Apply for Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies” of this prospectus.

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

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company, solely in connection with the Share 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. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus. The offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer. Information contained in our Company's website, at www.ppgh.com.hk, does not form part of this prospectus.

	<i>Page</i>
Expected Timetable	i
Contents	iv
Summary	1
Definitions.	17
Glossary of Technical Terms	29
Forward-looking Statements.	32
Risk Factors	34
Information about this Prospectus and the Share Offer	51
Directors and Parties Involved in the Share Offer	56
Corporate Information	59

CONTENTS

Industry Overview	61
Laws and Regulations	81
History, Development and Group Structure	101
Business	111
Relationship with our Controlling Shareholders	209
Directors, Senior Management and Staff	214
Share Capital	224
Substantial Shareholders	227
Financial Information	228
Future Plans and Use of Proceeds	278
Underwriting	280
Structure and Conditions of the Share Offer	290
How to Apply for Public Offer Shares	297
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited Pro Forma Financial Information	II-1
Appendix III – Summary of the Constitution of Our Company and Cayman Islands Company Law	III-1
Appendix IV – Statutory and General Information	IV-1
Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	V-1

SUMMARY

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

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

OUR BUSINESS

We are a Hong Kong-based subcontractor engaged in (i) construction works; and (ii) the provision of construction machinery rental services. Our construction machinery rental services represent the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our one-stop construction machinery rental service. Our construction works services represent the construction projects undertaken by us, the nature of which are broadly classified as foundation and site formation works, and builder’s work and general building works. The following table sets forth the breakdown of our revenue by our two types of services during the Track Record Period:

	For the year ended 31 March						For the two months ended 31 May	
	2014		2015		2016		2016	
	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue
Construction works	107,528	67.3	152,953	41.7	168,949	41.3	31,791	45.9
Construction machinery rental	52,165	32.7	213,776	58.3	240,400	58.7	37,416	54.1
Total revenue	159,693	100	366,729	100	409,349	100	69,207	100

We maintained over 400 construction machinery in our machinery fleet as at the Latest Practicable Date for our construction works and for rental to our customers. As at 31 May 2016, we had 413 construction machinery, out of which 173 were held under finance lease. Our construction machinery are available for daily or monthly rental arrangements with no minimum requirement for length of rental period and our customers may continue the rental arrangement for up to two years. Our rental fees are determined according to various factors including (i) the purchase cost of the construction machinery; (ii) the capacity and model of the construction machinery; (iii) length of the rental period; (iv) working condition and ground conditions of the site; and (v) credibility of the customer.

SUMMARY

The following table sets forth the monthly average rental price range for our machinery during the Track Record Period:

Machinery	Monthly average rental price range
Excavator	HK\$63,100 to HK\$89,700
Loader	HK\$26,400 to HK\$111,700
Bulldozer	HK\$56,400 to HK\$196,100
Dump truck	HK\$71,000 to HK\$127,900
Compactor	HK\$32,900 to HK\$45,100
Special purpose vehicle	HK\$37,100 to HK\$50,600
Mobile crane	HK\$19,200 to HK\$93,600
Lorry crane	HK\$73,200 to HK\$141,700
Tipper	HK\$73,000 to HK\$128,100

The following table sets forth the revenue and gross profit contribution of our construction machinery rental services from different types of construction machinery owned by our Group during the Track Record Period:

	For the year ended 31 March												For the two months ended 31 May			
	2014				2015				2016				2016			
	Revenue		Gross Profit Margin		Revenue		Gross Profit Margin		Revenue		Gross Profit Margin		Revenue		Gross Profit Margin	
	HK'000	%	HK'000	%	HK'000	%	HK'000	%	HK'000	%	HK'000	%	HK'000	%	HK'000	%
Machines																
Excavator	33,801	64.8	2,356	58.0	126,002	58.9	16,878	58.9	104,566	43.5	13,738	44.3	14,938	39.9	1,317	48.4
Loader	1,240	2.4	(114)	-2.8	8,423	3.9	826	2.9	12,685	5.3	3,048	9.8	1,898	5.1	307	11.3
Bulldozer	945	1.8	168	4.1	14,893	7.0	4,900	17.1	10,709	4.5	2,625	8.5	600	1.6	22	0.8
Dump truck	-	-	-	-	3,697	1.7	(167)	-0.6	14,271	5.9	2,065	6.7	2,500	6.7	(122)	-4.5
Compactor	287	0.5	104	2.6	139	0.1	64	0.2	1,127	0.5	317	1.0	251	0.7	51	1.9
Special purpose vehicle	329	0.6	122	3.0	74	0.0	24	0.1	1,120	0.5	445	1.4	216	0.6	44	1.6
Mobile crane	18	0.0	7	0.2	1,498	0.7	716	2.5	6,034	2.5	1,862	6.0	965	2.6	93	3.4
Others ^(Note 1)	1,942	3.7	387	9.5	2,708	1.3	1,340	4.7	4,827	2.0	1,259	4.1	1,055	2.8	193	7.1
Vehicles																
Lorry crane	1,690	3.2	314	7.7	2,222	1.0	721	2.5	6,263	2.6	731	2.4	1,676	4.5	233	8.6
Tipper	618	1.2	207	5.1	5,222	2.4	892	3.1	13,326	5.5	2,146	6.9	2,219	5.9	217	8.0
Others ^(Note 2)	-	-	-	-	199	0.1	-	-	2,425	1.0	130	0.4	461	1.2	29	1.1

Notes:

- Other machines include regulated mobile generator and motor grader, non-regulated excavators, special purpose vehicles and component.
- Other vehicles include tractor, semi-trailers, van, platform, mobile working unit, station waggon, pick-up and medium good vehicle.
- Our total revenue derived from different types of construction machinery owned by our Group as illustrated from the table above, in addition to the revenue derived from the sub-leasing of construction machinery and provision of machine operators and transportation services, constituting the total revenue of our construction machinery rental services.
- It is noted that our overhead expenses, such as depreciation expenses, of all of our construction machinery, other than those allocated to construction works, are fully allocated to our construction machinery rental segment, even the relevant construction machinery is idle (neither used for construction works and construction machinery rental services). During the Track Record Period, substantial overhead expenses were derived from certain types of our construction machinery with relatively long idle time and might lead to negative gross profit margins for some types of our construction machinery which did not generate sufficient revenue to cover the overhead expenses we have allocated accordingly.

SUMMARY

The following table sets forth the remaining useful life of our Group's construction machinery as at 31 May 2016:

Type of construction machinery	Number	Weighted average remaining useful life (years)
Approved NRMMS		
Excavators	97	1.9
Loaders	10	2.5
Exempted NRMMS		
Excavators	135	1.3
Loaders	15	2.0
Bulldozers	11	2.1
Dump trucks	14	2.3
Compactors	7	1.3
Special purpose vehicles	4	2.4
Mobile cranes	9	2.8
Others ^(Note 1)	2	2.7
Other construction machines^(Note 2)	16	2.3
Vehicles		
Lorry crane	13	2.6
Tractor	7	2.9
Semi-trailers	11	3.1
Tipper	29	1.6
Van	11	1.8
Others ^(Note 3)	20	1.9

Notes:

1. Other exempted NRMMS include mobile generator and motor grader.
2. Other construction machines include non-regulated excavators, special purpose vehicles and component.
3. Other vehicles include platform, mobile washing unit, station waggon, pick-up and medium good vehicle.

During the Track Record Period, we provided construction works services as a subcontractor to our customers including those who are involved in public infrastructure projects such as the Hong Kong-Zhuhai-Macao Corridor and private infrastructure projects such as MTR station and the midfield concourse in the Hong Kong International Airport. Our major construction works services during the Track Record Period were foundation and site formation works which included earthworks and ELS works, and builder's work and general building works. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, there were 8, 10, 11 and 8 construction projects contributing approximately HK\$107.5 million, HK\$153.0 million, HK\$168.9 million and HK\$31.8 million, respectively, to our total revenue. The revenue we recognised from our construction projects is commensurate with the values of the works completed by us.

SUMMARY

Our customers are primarily the main contractors or subcontractors of various types of construction projects in Hong Kong. As subcontracting is a common practice in the construction industry in Hong Kong, we, as a subcontractor, secure our projects from main contractors or other subcontractors, in general, after a competitive tendering process, whereby we are invited to submit our tender.

The following table sets out the number of projects tendered, number of successful projects and our success rate during the Track Record Period:

	For the year ended 31 March			For the two months ended 31 May 2016	For the six months ended 30 September 2016
	2014	2015	2016		
Number of projects tendered	11	20	11	6	11
Number of successful projects	5	9	5	3	4
Success rate	45%	45%	45%	50%	36%

During the Track Record Period and up to 30 September 2016, we have completed 13 construction projects. During the Track Record Period, our revenue was approximately HK\$159.7 million, HK\$366.7 million, HK\$409.3 million and HK\$69.2 million for each of the three years ended 31 March 2016 and the two months ended 31 May 2016 respectively. All of our customers are located in Hong Kong and all of our service fees are denominated in Hong Kong dollars. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, our top five customers of construction works services accounted for approximately 99.7%, 98.5%, 99.3% and 95.5% of our total revenue attributable to construction works services, respectively, while our top five customers of construction machinery rental services accounted for approximately 44.7%, 65.7%, 63.4% and 60.4% of our total revenue attributable to construction machinery rental services, respectively.

Our suppliers include our subcontractors, lessors of machinery for our sub-leased machinery, repair and maintenance service providers for our construction machinery and suppliers of consumables such as spare parts and diesel fuel for our operations. We generally ordered the consumables or required services on a project-by-project basis and we did not enter into any long-term contract with our suppliers. The terms of our supply contract generally include the type of consumables or services required, the price, the quantity of consumables/duration of service and the payment terms. We select our suppliers from our approved supplier list based on factors including the (i) quality of product/services; (ii) delivery time; (iii) previous working experience with the supplier; and (iv) reputation of the supplier. We generally do not provide the construction materials required for our projects unless otherwise stated in the agreement with our customer, and our rate generally does not include the costs of construction materials.

SUMMARY

Depending on our capacity and resources level, we may subcontract specific parts of our project such as certain ELS works and general building works to our subcontractors during the Track Record Period. Save for such specific parts of a project, we usually carry out the works by our employees. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of our service fees were denominated in HK dollars. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, the total cost in engaging our subcontractors amounted to approximately HK\$18.8 million, HK\$55.5 million, HK\$65.6 million and HK\$15.8 million, representing approximately 15.3%, 17.6%, 19.1% and 25.9% of our cost of services, respectively. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, approximately 13.2%, 9.8%, 17.4% and 22.3% of our total cost of services were attributable to our five largest subcontractors respectively.

According to the Ipsos Report, the rising demand for office and residential buildings as well as infrastructure projects such as the Ten Major Infrastructure Projects plans such as Kai Tak Development, Hong Kong-Zhuhai-Macao Bridge, and the extension of MTR railways will continue to drive growth in the construction industry in the foreseeable future and such Government policies are also conducive to the growth of construction machinery rental market. In view of the aforesaid, our Directors are of the view that the demand for construction works services and construction machinery rental services in Hong Kong will continue to rise in the coming years. For details, please refer to the section headed “Industry Overview” of this prospectus.

We are not on the list of approved contractors for public works and not on the list of approved suppliers of materials and specialist contractors for public works, both maintained by the Development Bureau. Therefore, for public projects requiring such qualifications, we rely on the main contractors to hold the relevant qualifications.

COMPETITIVE STRENGTHS

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

- Provision of a vast number and a comprehensive range of construction machinery for rental
- Provision of an one-stop construction machinery rental service to our customers
- Synergistic business model which benefits both our operating segments
- Experienced and dedicated management team

SUMMARY

BUSINESS STRATEGIES

Our principal business objective is to achieve sustainable growth in our business in Hong Kong. We intend to achieve this objective by implementing the following business strategies, details of which are set out in the section headed “Business – Business Strategies” of this prospectus:

- Strengthen our position as a market leader in the construction machinery rental market in Hong Kong
- Recruit and expand our team of skilled and technical personnel and strengthen staff training

COMPETITIVE LANDSCAPE

Our construction machinery rental service contributed revenue of approximately HK\$52.2 million, HK\$213.8 million, HK\$240.4 million and HK\$37.4 million, representing approximately 32.7%, 58.3%, 58.7% and 54.1% of our total revenue for each of the three years ended 31 March 2016 and the two months ended 31 May 2016, respectively. According to the Ipsos Report, competitiveness of rental fee, quality of the construction machinery, value-added services offered and reputation are the determinants of competitiveness of a construction machinery rental service provider in Hong Kong. The construction machinery rental service industry is fairly consolidated, with approximately 60 rental service providers as of April 2016 and with the top five players contributed approximately 21.5% to the total revenue of the industry in Hong Kong in 2015. Our Group contributed approximately 4.6% in revenue to the construction machinery rental service industry and ranked second among the top five players in 2015. With our vast number and comprehensive range of construction machinery and specialist knowledge, our Directors believe that our Group is in a competitive position in the construction machinery rental industry in Hong Kong.

Our construction works services contributed revenue of approximately HK\$107.5 million, HK\$153.0 million, HK\$168.9 million and HK\$31.8 million, representing approximately 67.3%, 41.7%, 41.3% and 45.9% of our total revenue for each of the three years ended 31 March 2016 and the two months ended 31 May 2016, respectively. According to the Ipsos Report, established reliable working relationship with customers, subcontractors, raw material suppliers and workers, experience in foundation works project management and technical expertise, industry reputation and proven track record and competitive pricing are the main determinants of competitiveness of a construction works contractor in Hong Kong. As of April 2016, there were approximately 688 general building contractors eligible for private construction works which were registered with the Buildings Department and approximately 271 contractors approved by the Development Bureau for public sector works including buildings, road and drainage, port works, site formation and waterworks. The total gross output value of construction works performed by main contractors and subcontractors in Hong Kong reached approximately HK\$173.2 billion in 2015 and 17.3% was attributed to subcontractors. The development in the construction industry and foundation industry are positively correlated and the demand for foundation works depends largely on the demand for construction works. The foundation and site formation industry in Hong Kong is fairly consolidated with the top five main contractors contributed about 43.5% to the total revenue of the industry in Hong Kong in 2015. The top five subcontractors contributed about 9.4% to the total revenue of the foundation industry in Hong Kong in 2015. As at 20 June 2016, there were 311 and 1,241

SUMMARY

subcontractors registered at the Construction Industry Council under the group of foundation and piling and general civil works respectively. Our Group contributed to approximately 0.6% of the total revenue in the foundation and site formation industry in Hong Kong in 2015.

SUMMARY OF FINANCIAL INFORMATION

The selected financial information from our consolidated statements of profit or loss and other comprehensive income during the Track Record Period set forth below is extracted from our Accountants' Report included in Appendix I to this prospectus, and should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus.

Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 March			For the two months ended 31 May	
	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	159,693	366,729	409,349	59,550	69,207
Cost of services	(122,884)	(314,539)	(342,995)	(48,843)	(61,175)
Gross profit	36,809	52,190	66,354	10,707	8,032
Profit and total comprehensive income for the year/period attributable to the owners of our Company	29,241	35,863	36,748	6,560	3,166

Consolidated statements of financial position

	At 31 March			At
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total non-current assets	115,714	166,413	137,734	151,136
Total current assets	65,348	124,916	198,566	189,233
Total current liabilities	82,614	116,819	144,980	165,425
Net current (liabilities) assets	(17,266)	8,097	53,586	23,808
Total equity	59,755	95,618	132,366	106,532

SUMMARY

We have a synergistic business model under which our Group's two business segments supplement each other. As our Group is engaged in construction works, it can utilise its own construction machinery for its construction projects when the construction machinery and machine operators are not subject to rental and thus helps to further utilise our Group's construction machinery and machine operators.

(a) *Construction machinery rental*

The following table set forth the revenue of our construction machinery rental services during the Track Record Period:

	For the year ended 31 March			For the two months ended 31 May	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Construction machinery rental	52,165	213,776	240,400	34,109	37,416

During the Track Record Period, the growth trend of the revenue of our construction machinery rental services was mainly attributable to (i) the rising demand of construction projects in Hong Kong; (ii) the increasing recognition of our Group in construction industry; and, (iii) the expansion of our machinery fleet and team of machine operators to cope with the increasing demand of construction machinery in the market. In particular, our Group purchased construction machinery of approximately HK\$117.7 million and HK\$107.0 million respectively for the two years ended 31 March 2015. The sharp increase in our revenue for the year ended 31 March 2015 from the provision of construction machinery rental services proved the success of our strategic move to expand our machinery fleet.

(b) *Construction works*

Revenue by nature of construction work services

The following table set forth the breakdown of our revenue derived from our construction works services by nature during the Track Record Period:

	For the year ended 31 March						For the two months ended 31 May			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Foundation & site formation	95,804	89.1	107,924	70.6	114,217	67.6	22,407	88.1	23,804	74.9
Builder's work & general building works	11,724	10.9	45,029	29.4	54,732	32.4	3,034	11.9	7,987	25.1
Total revenue from construction works services	107,528	100.0	152,953	100.0	168,949	100.0	25,441	100.0	31,791	100.0

SUMMARY

Revenue of our construction works by nature of project

The following table set forth the breakdown of our revenue of our construction works during the Track Record Period:

	For the year ended 31 March						For the two months ended 31 May			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public project	5,405	5.0	67,466	44.1	67,222	39.8	8,950	35.2	22,252	70.0
Private project	102,123	95.0	85,487	55.9	101,727	60.2	16,491	64.8	9,539	30.0
Total revenue from construction work services	107,528	100	152,953	100	168,949	100	25,441	100	31,791	100

Benefited from the expansion of our machinery fleets in response to the rising demand of construction projects in Hong Kong, the proportion of the revenue contribution derived from our public projects to our construction income has increased significantly from approximately 5.0% for the year ended 31 March 2014 to 44.1% for the year ended 31 March 2015 as we have been awarded five more public projects of various scales of approximately HK\$34.7 million in aggregate, all of which required our foundation and site formation works services.

Upon the completion of some major parts of the sizable public project in Tai Po during the year ended 31 March 2015, our Group has undertaken more sizable private projects where our foundation and site formation services are required. Hence, the proportion of the revenue contribution derived from public projects to our construction income has decreased from approximately 44.1% to 39.8% while the proportion of the revenue contribution derived from our private projects to our construction income has increased from approximately 55.9% to 60.2% for the two year ended 31 March 2016.

For the two months ended 31 May 2015 and 2016, the proportion of the revenue contribution derived from our public projects to our construction income has increased from approximately 35.2% to 70.0% mainly as a result of the commencement of three public projects on foundation and site formations works and builder's work and general building works in the first quarter of 2016, accounting for approximately HK\$12.6 million of our revenue for the two months ended 31 May 2016 in aggregate. For the two months ended 31 May 2015 and 2016, the sharp cut in our revenue derived from private projects was mainly due to the slowdown in demand of our foundation and site formation works of two major private projects during the period.

SUMMARY

Cost of services

The following table sets out the summary of cost of services by nature during the Track Record Period:

	For the year ended 31 March			For the two months ended 31 May	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Direct staff costs	39,225	109,198	115,963	18,342	18,636
Repair and maintenance costs	20,320	35,929	47,747	8,473	4,769
Depreciation expense for machinery	17,008	47,707	61,024	8,695	10,817
Subcontracting costs	18,777	55,508	65,614	6,279	15,831
Sub-leasing expenses	11,830	47,230	33,904	4,370	8,871
Fuel	6,641	10,090	8,075	1,135	1,143
Others	9,083	8,877	10,668	1,549	1,108
Total	122,884	314,539	342,995	48,843	61,175

During the Track Record Period, our cost of services amounted to approximately HK\$122.9 million, HK\$314.5 million, HK\$343.0 million, HK\$48.8 million and HK\$61.2 million for the three years ended 31 March 2016 and the two months ended 31 May 2016 respectively, representing approximately 77.0%, 85.8%, 83.8%, 82.0% and 88.4% of our revenue for the respective periods. The general increasing trend of our cost of services was in line with our increase in revenue.

Gross profit and gross profit margin

Our gross profit and gross profit margin by type of services during the Track Record Period are set forth as follows:

Gross profit margin by types of services	For the year ended 31 March						For the two month ended 31 May			
	2014	Margin	2015	Margin	2016	Margin	2015	Margin	2016	Margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)			
Construction works	32,747	30.5	23,530	15.4	35,365	20.9	4,649	18.3	5,312	16.7
Construction machinery rental	4,062	7.8	28,660	13.4	30,989	12.9	6,058	17.8	2,720	7.3
Total gross profit	36,809	23.1	52,190	14.2	66,354	16.2	10,707	18.0	8,032	11.6

SUMMARY

Our gross profit and gross profit margin of construction works from public and private projects by nature of our construction work services during the Track Record Period are set forth as follows:

	For the year ended 31 March						For the two months ended 31 May			
	2014 HK\$'000	Margin %	2015 HK\$'000	Margin %	2016 HK\$'000	Margin %	2015 HK\$'000	Margin %	2016 HK\$'000	Margin %
Private										
Foundation & site formation	28,639	31.7	5,195	12.8	11,976	25.5	2,546	18.9	695	24.9
Builder's work & general building works	3,027	25.8	8,933	19.8	12,000	21.9	592	19.5	1,012	15.0
Sub-total	31,666	31.0	14,128	16.5	23,976	23.6	3,138	19.0	1,707	17.9
Public										
Foundation & site formation	1,081	20.0	9,402	13.9	11,389	16.9	1,511	16.9	3,444	16.4
Builder's work & general building works	-	-	-	-	-	-	-	-	161	13.0
Sub-total	1,081	20.0	9,402	13.9	11,389	16.9	1,511	16.9	3,605	16.2
Total gross profit from construction works services	32,747	30.5	23,530	15.4	35,365	20.9	4,649	18.3	5,312	16.7

During the Track Record Period, our overall gross profit margin is the result of the proportion of revenue derived from different mix of (i) the types of services undertaken by us, and; (ii) the types of construction works provided by us. During the Track Record Period, the gross profit margin from our machinery rental services was mainly affected by (i) the amount of depreciation expense which was affected by the book value of our construction machinery; and (ii) the utilisation rate of our construction machinery. The gross profit margin from construction project varies from project to project and depends on factors including the nature of our customers and the amount of variation order.

SUMMARY

Net profit and net profit margin

We recorded net profit of approximately HK\$29.2 million, HK\$35.9 million and HK\$36.7 million, HK\$6.6 million and HK\$3.2 million for the three years ended 31 March 2014, 2015, 2016 and the two months ended 31 May 2015 and 2016, representing a net profit margin of approximately 18.3%, 9.8%, 9.0%, 11.0% and 4.6% respectively. The decrease of the net profit margin was generally in line with the fluctuations in our gross profit margin and also attributable to the general upward trend of our administrative expenses and finance costs. Excluding the Listing expense of HK\$4.8 million and HK\$1.9 million for the year ended 31 March 2016 and the two months ended 31 May 2016, our adjusted net profit and net profit margin would have been approximately HK\$29.2 million, HK\$35.9 million, HK\$41.6 million, HK\$6.6 million and HK\$5.1 million for the respective periods, representing adjusted net profit margins of approximately 18.3%, 9.8%, 10.2%, 11.0% and 7.4%, respectively.

	For the year ended			For the
		31 March		two months
	2014	2015	2016	ended 31 May
				2016
Current ratio	0.8 times	1.1 times	1.4 times	1.1 times
Gearing ratio ¹	78.5%	112.3%	80.9%	109.7%
Debt to equity ratio	74.6%	103.6%	69.6%	95.6%
Interest coverage	22.2 times	9.0 times	6.9 times	4.6 times
Return on total assets	16.1%	12.3%	10.9%	0.9%
Return on equity	48.9%	37.5%	27.8%	3.0%
Net profit margin	18.3%	9.8%	9.0%	4.6%

Note:

1. Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year/period end and multiplied by 100%.

For the year ended 31 March 2014, we recorded a net current liabilities, which was mainly attributable to our increase in non-current assets (being construction machinery we purchased for the year) through the advance from our Controlling Shareholder (current liabilities) and finance leases (current portion of which were classified as current liabilities). Upon the improvement in our net profit reflected by the recognition of net profit approximately HK\$29.2 million and HK\$35.9 million recognised for the year ended 31 March 2015 and 2016 respectively, our liquidity level has strengthened to a net current assets position.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer, Profit Gold, which is beneficially owned as to 100% by Mr. Wu, will hold 75% of the issued share capital of our Company. For the purpose of the Listing Rules, Mr. Wu and Profit Gold are our Controlling Shareholders. Please refer to the section headed “Relationship with our Controlling Shareholders” of this prospectus for further details.

SUMMARY

OFFERING STATISTICS

All statistics in the following table are based on the assumption that the Share Offer has been completed and 1,000,000,000 Shares are in issue immediately after the completion of the Share Offer.

	Based on an Offer Price of HK\$0.4 HK\$	Based on an Offer Price of HK\$0.6 HK\$
Market capitalisation	400,000,000	600,000,000
Unaudited pro forma adjusted combined net tangible assets per Share attributed to the Shareholders	0.16	0.20

For the calculation of the unaudited pro forma adjusted combined net tangible asset value per Share attributable to the Shareholders, please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Share Offer and assuming that the Over-allotment Option is not exercised at all to be approximately HK\$66.6 million, assuming an Offer Price of HK\$0.5 per Share, being the mid-point of the proposed Offer Price range of HK\$0.4 to HK\$0.6 per Offer Share.

We intend to apply the net proceeds from the Share Offer as follows:

- to comply with the phase out plan in the Technical Circular and to enhance our machinery fleet, we plan to spend approximately HK\$148.0 million to acquire approved NRMMs within the next three years. For details of the operational and financial impact of the Technical Circular on our Group, please refer to the section headed “Business – Our Machinery – Possible impact of NRMM Regulation and the Technical Circular” and the section headed “Risk Factor – Risks Relating to the Industry in which we Operate – There is no guarantee that the Technical Circular or other similar administrative tools issued by the Government will not impose any negative impact on our Group” in this prospectus. Out of such approximately HK\$148.0 million, approximately HK\$52.3 million or approximately 78.6% of the net proceeds for the replacement and enhancement of our fleet of machinery by acquiring additional excavators, bulldozers, compactors, dump trucks, loaders, mobile cranes and special purpose vehicles in the next two years to enhance our service capacity to cope with the expected growing demand in the construction industry and to cope with the Technical Circular;

SUMMARY

- approximately HK\$7.9 million or approximately 11.9% of the net proceeds for the reinforcement of our workforce by recruiting additional 14 full-time staff which include ten machine operators, one human resources manager, one accounting manager, one safety officer and one site engineer, in the next two years; and
- approximately HK\$6.4 million or approximately 9.5% of the net proceed for general working capital of our Group.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as set out above.

Assuming the Offer Price is fixed at HK\$0.5 per Share (being the mid-point of the indicative range of the Offer Price), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$36.6 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. We will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$20.9 million. The Listing expenses are non-recurring in nature and are mainly consisted of professional fees paid to the Sponsor, the legal advisers, the reporting accountants and other professional parties for the provision of their services in connection with the Share Offer. Of the aggregate Listing expenses of approximately HK\$20.9 million, approximately HK\$4.8 million was charged to profit or loss for the year ended 31 March 2016 and HK\$1.9 million was charged for the two months ended 31 May 2016. For the remaining amount of approximately HK\$14.2 million, our Group expects to further charge approximately HK\$8.7 million to profit or loss for the remaining months of the year ending 31 March 2017, while approximately HK\$5.5 million is expected to be directly attributable to the issue of Shares and accounted for as a deduction from equity upon successful Listing under the relevant accounting standards. As a result, our Group's financial performance for the year ending 31 March 2017 will be materially and adversely affected by the Listing expenses. The amount of Listing expenses is a current estimate for reference only and the final amount to be recognised to the consolidated statement of comprehensive income of our Group for the year ending 31 March 2017 is subject to audit and the actual changes in variables and assumptions.

DIVIDENDS

For the three years ended 31 March 2016 and the two months ended 31 May 2016, subsidiaries of our Group declared dividend in the amount of nil, nil, nil and HK\$29.0 million respectively. The dividend was paid to our Controlling Shareholder in June 2016 by cash and by setting off against the outstanding balances of the amount due from the Controlling Shareholder. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will

SUMMARY

be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

PRINCIPAL RISK FACTORS

There are certain risks involved in our operations which are beyond our control. Potential investors are advised to read the section headed "Risk Factors" of this prospectus carefully before making any investment decision in the Share Offer. Some of the more particular risk factors include:

- We have a concentrated clientele base who do not have long term commitment with us. Any decrease in the number of construction projects or rental arrangements awarded to us would adversely affect our operations and financial results
- Our revenue is derived from our construction projects and rental services which are not recurring in nature and any decrease in the number of construction projects or rental arrangements awarded to us would affect our operational and financial results
- Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin
- We determine the price of our tender for construction projects based on the estimated time and costs to be involved in a construction project, and the actual time and costs incurred may exceed our estimate due to unexpected circumstances, thereby adversely affect our operations and financial results
- There is no guarantee that the Technical Circular or other similar administrative tools issued by the Government will not impose any negative impact on our Group

RECENT DEVELOPMENTS

As at the Latest Practicable Date, we had ten construction projects in progress and the total outstanding contract sum of the same as at 31 May 2016 was approximately HK\$140.8 million. For further details, please refer to the section headed "Business – Our Projects" in this prospectus. The revenue expected to be recognised from our Group's construction projects in progress are approximately HK\$125.1 million, HK\$20.1 million and HK\$19.5 million for each six-month period up to 31 March 2018.

All existing rental arrangements and construction projects on hand have continued to contribute revenue to our Group and none of them has had any material interruption.

SUMMARY

Our Directors consider that our Group is well-positioned and well-equipped to take on additional rental arrangements and new construction projects and believe that the emphasis of Government policy on housing and infrastructure projects would favour the growth of our Group and the demand of our services.

NO MATERIAL ADVERSE CHANGE

Save for the professional fees of approximately HK\$20.9 million estimated to be incurred in connection with the Listing, of which approximately HK\$10.6 million will be recorded in our consolidated statements of profit or loss for the year ending 31 March 2017, our Directors confirmed that there has been no material adverse change in the operation, financial or trading position or prospects of our Group since 31 May 2016 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this prospectus, and there is no event since 31 May 2016 and up to the date of this prospectus which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

LITIGATION AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there were on-going litigation cases against our Group including employees' compensation claims, personal injury claims and certain non-compliance with the Inland Revenue Ordinance and Mandatory Provident Fund Schemes Ordinance. For details of such litigation claims and instances of non-compliance, please refer to the section headed "Business – Legal Proceedings and Legal Compliance" of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on 15 November 2016 and as amended from time to time, a summary of which is set forth in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	our board of Directors
“Building Authority”	the Building Authority of the Government
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are normally open for business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 824,999,996 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the section headed “Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our sole Shareholder passed on 15 November 2016” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CEDD”	Civil Engineering and Development Department, a department of the Government
“Census and Statistics Department”	Census and Statistics Department of the Government
“Chairman”	the chairman of our Board, Mr. Wu
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong

DEFINITIONS

“Company”	Progressive Path Group Holdings Limited (進昇集團控股有限公司) (formerly known as Chun Sing Group Holdings Limited (進昇集團控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 21 April 2016 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 20 May 2016
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transactions(s)”	has the meaning ascribed thereto under the Listing Rules
“Construction Industry Council”	the Construction Industry Council of Hong Kong
“construction machinery”	the construction machines and construction vehicles
“Controlling Shareholder(s)”	has the meaning ascribed to it thereto under the Listing Rules, means Mr. Wu and Profit Gold
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 15 November 2016 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) regarding certain indemnities, details of which are set out in the section headed “Statutory and General Information – E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 15 November 2016 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) regarding non-competition undertakings, details of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-Competition Undertakings” in this prospectus
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company
“EPD”	Environmental Protection Department of the Government
“Government”	the Government of Hong Kong

DEFINITIONS

“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case maybe) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“HIBOR”	Hong Kong Interbank Offered Rate
“HK eIPO White Form”	the application process for Public Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company
“HK\$”, “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Housing Authority”	the Housing Authority of the Government
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of our Company, our subsidiaries or any of their respective associates

DEFINITIONS

“Ipsos”	Ipsos Limited, an Independent Third Party, being a professional market research company
“Ipsos Report”	the commissioned report on the market overview and competitive analysis for the foundation and site formation industry and the construction machinery rental industry in Hong Kong compiled by Ipsos, the content of which is quoted in this prospectus
“Issuing Mandate”	the unconditional mandate granted to our Directors to allot and issue Shares pursuant to the resolutions set forth in the section headed “Statutory and General Information – A. Further Information about Our Company – 3. Written resolutions of our sole Shareholder passed on 15 November 2016” in Appendix IV to this prospectus
“Joint Bookrunners” or “Joint Lead Managers”	Ample Orient Capital Limited, a licensed corporation to engage in type 1 (dealing in securities) regulated activities under the SFO, and Sorrento Securities Limited, a licensed corporation to engage in type 1 (dealing in securities) regulated activities under the SFO, both of which have been appointed as the joint bookrunners and joint lead managers for the Share Offer
“Latest Practicable Date”	18 November 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Thursday, 8 December 2016, on which our Shares are listed and from which dealings in our Shares commence on 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

DEFINITIONS

“Luen Yau Company”	Luen Yau Construction Company (聯友建築公司), a sole proprietorship established in Hong Kong on 9 August 2010 which is wholly-owned by Mr. Wu
“Luen Yau Construction”	Luen Yau Construction Company Limited (聯友建築有限公司), a company incorporated in Hong Kong with limited liability on 24 December 2007 and an indirectly wholly-owned subsidiary of our Company
“Luen Yau Holdings”	Luen Yau Holdings Limited (聯友控股有限公司), a company incorporated in the BVI with limited liability on 19 November 2015 and is a direct wholly-owned subsidiary of our Company
“Luen Yau Machinery”	Luen Yau Machinery Construction Company Limited (聯友機械建築有限公司), a company incorporated in Hong Kong with limited liability on 8 March 2013 and an indirectly wholly-owned subsidiary of our Company
“Luen Yau Management (BVI)”	Luen Yau Management Company Limited (聯友管理有限公司), a company incorporated in the BVI with limited liability on 23 November 2015 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 10 June 2016 and an indirect wholly-owned subsidiary of our Company
“Luen Yau Management (HK)”	Luen Yau Management Services Limited (聯友管理服務有限公司) (formerly known as Luen Yau Management Limited (聯友管理有限公司)), a company incorporated in Hong Kong with limited liability on 20 November 2015 and an indirect wholly-owned subsidiary of our Company
“Lufa Global”	Lufa Global Investments Limited (祿發環球投資有限公司), a company incorporated in the BVI with limited liability on 1 February 2016 and a direct wholly-owned subsidiary of our Company
“LYCC”	Luen Yau Construction Co. (聯友建築公司), a sole proprietorship established in Hong Kong on 18 July 2003 in which Mr. Wu was initially a sole proprietor and subsequently became a partner in July 2010 until he ceased ownership in October 2010
“Macau”	the Macau Special Administrative Region of PRC

DEFINITIONS

“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, adopted on 15 November 2016, as amended, supplemented or otherwise modified from time to time
“Mr. Chan”	Mr. Chan Tak Ming (陳德明), being our executive Director
“Mr. Wu”	Mr. Wu Wing Hang (胡永恆), being our Chairman, executive Director and a Controlling Shareholder
“MTR”	the mass transit railway of Hong Kong
“Neotime Global”	Neotime Global Limited (新時環球有限公司), a company incorporated in the BVI with limited liability on 5 January 2016 and a direct wholly-owned subsidiary of our Company
“New Shares”	175,000,000 new Shares being offered for subscription at the Offer Price under the Share Offer
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Determining the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by our Company to the Placing Underwriters exercisable by the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 additional New Shares at the Offer Price, to cover over-allocations in the Placing and/or to satisfy the obligation of the Stabilising Managers to return securities borrowed under the Stock Borrowing Agreement subject to the terms of the Placing Underwriting Agreement
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and private investors as set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 225,000,000 Shares (comprising 150,000,000 New Shares initially offered by us for subscription and 75,000,000 Sale Shares initially offered by the Selling Shareholder for purchase) at the Offer Price pursuant to the Placing, subject to reallocation and the Over-allotment Option as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, the Selling Shareholder and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China and, except where the context otherwise requires and for the purpose of this prospectus only, does not include Hong Kong, Macau and Taiwan

DEFINITIONS

“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement expected to be entered into between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the final Offer Price
“Price Determination Date”	the date, expected to be on or around Friday, 2 December 2016, on which the final Offer Price is to be fixed for the purpose of the Share Offer but in any event no later than Saturday, 3 December 2016
“Profit Gold”	Profit Gold Global Limited (潤金環球有限公司), a company incorporated in the BVI with limited liability on 18 February 2016 and wholly-owned by Mr. Wu, and also the Selling Shareholder
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	25,000,000 New Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set forth in the section headed “Underwriting – Underwriters – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 25 November 2016 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus

DEFINITIONS

“Reorganisation”	the reorganisation we have undergone in preparation for the Listing of Shares on the Stock Exchange which are more particularly described in the section headed “History, Development and Group Structure” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in the section headed “Statutory and General Information – A. Further Information about Our Company – 3. Written resolutions of our sole Shareholder passed on 15 November 2016” in Appendix IV to this prospectus
“Sale Shares”	75,000,000 existing Shares to be offered by the Selling Shareholder for purchase at the Offer Price under the Placing
“Selling Shareholder”	Profit Gold, one of the Controlling Shareholders, which is expected to offer to sell the Sale Shares under the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 15 November 2016, the principal terms of which are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Shares

DEFINITIONS

“Sponsor”	Ample Capital Limited, a corporation licensed to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the sponsor of the Share Offer
“Stabilising Managers”	Ample Orient Capital Limited and Sorrento Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between Profit Gold and the Stabilising Managers, pursuant to which the Stabilising Managers may borrow up to 37,500,000 Shares from Profit Gold
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tax Adviser”	SHINEWING Tax and Business Advisory Limited, our tax adviser
“Track Record Period”	the period comprising the three financial years ended 31 March 2016 and the two months ended 31 May 2016
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States

DEFINITIONS

“**WHITE** Application Form(s)” the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicants’ own name

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

“%” per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

“bills of quantities”	a list of items giving brief identifying descriptions and the quantities measured in accordance with this document in respect of the work to be performed. The main functions of the bills of quantities are (a) to allow a comparison of tender prices of tenders obtained from tenderers; and (b) to provide a means of valuing the work executed when the contract has been entered into
“CAGR”	Compound annual growth rate, a method of assessing the average growth of a value over time
“drainage works”	construction works of establishing drainage system underground and other related civil engineering works associated with drainage construction
“ELS”	excavation and lateral support
“GDP”	Gross Domestic Product
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management system requirements publish by ISO
“ISO 14001”	environmental management system requirements publish by ISO
“main contractor”	a contractor, appointed by the project employer, who is generally responsible for the administration and overall supervision of all the construction works involved in the construction project and delegate specific work tasks of the construction to other subcontractors
“mobile crane”	are used to describe a type of construction machine for lifting operations and include crawler cranes
“NRMM”	Non-road mobile machinery

GLOSSARY OF TECHNICAL TERMS

“NRMM Regulation”	Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)
“OHSAS”	acronym for Occupational Health and Safety Management System, which provides a framework for organisations to identify and control its health
“OHSAS 18001”	A framework for occupational health and safety management system
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from structure above to the pile or group of piles
“piling”	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
“Public Housing Development Program”	the public housing development programme implemented by the Housing Authority
“QPME”	Quality Powered Mechanical Equipment, a type of construction equipment that is notably quieter, more environmentally friendly and efficient
“QPME Equipment”	15 types of common use construction equipment, including (1) tracked bulldozer; (2) wheeled bulldozer; (3) tracked loader; (4) wheeled loader; (5) excavator; (6) generator; (7) mobile crane; (8) vibratory roller; (9) road roller; (10) asphalt paver; (11) vibratory compactor; (12) power rammer; (13) hand held percussive breaker; (14) air compressor and, (15) concrete crusher, included in the QPME system, with the last 3 types being newly included for trial starting from 1 April 2016
“QPME Labels”	Quality Powered Mechanical Equipment labels, applied by either the equipment supplier or the owner and granted under the QPME System as recognition

GLOSSARY OF TECHNICAL TERMS

“QPME System”	Quality Powered Mechanical Equipment System, an administrative labeling system in Hong Kong implemented since 2005 with the refinement implemented in April 2013 for promoting the use of environmentally friendly construction equipment
“Registered Contractor”	a contractor whose name is entered into the registers of general building contractors and specialist contractors, being kept by the Building Authority
“Registered Professional Engineer”	a person whose name is on the register of registered professional engineers established and maintained under Section 7 of the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong)
“Regulated Machine(s)”	means any mobile machine(s) or transportable industrial equipment(s) (other than a vehicle of a class specified in Schedule 1 to the Road Traffic Ordinance (Cap. 374)) that is/are powered by an internal combustion engine with a rated engine power output that is greater than 19 kW but not greater than 560 kW
“site formation works”	any works including excavations on sloping land, filling, landslip preventive works, landslip remedial works and ground water drainage works
“Specialist List”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
“Technical Circular”	the technical circular issued by the work branch of the Development Bureau on 8 February 2015
“Ten Major Infrastructure Projects”	the ten major infrastructure projects launched by the Government, namely, South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our Group’s business prospects;
- our Group’s contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group’s business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operates;
- changes to the regulatory environment and general outlook in the industry and markets in which our Group operates;
- the effects of the global financial markets and economic crisis;
- our Group’s financial position;
- our Group’s ability to reduce costs;
- our Group’s dividend;
- the amount and nature of, and potential for, future development of our Group’s business;
- various business opportunities that our Group may pursue;
- capital market developments;
- our Group’s ability to source raw materials;

FORWARD-LOOKING STATEMENTS

- fluctuation in the prices of raw materials and our Group's ability to pass-through any increases in price to customers;
- our Group's ability to protect our Group's intellectual property rights;
- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

We believe that there are certain risks involved in our business and operations. These risks can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to Hong Kong; (iv) risks relating to the Share Offer; and (v) risks relating to statements in this prospectus.

RISKS RELATING TO OUR BUSINESS

We have a concentrated clientele base who do not have long term commitment with us. Any decrease in the number of construction projects or rental arrangements awarded to us would adversely affect our operations and financial results

A significant portion of our revenue was derived from several major customers during the Track Record Period. For the three years ended 31 March 2016 and the two months ended 31 May 2016 our top five customers of construction works services accounted for approximately 99.7%, 98.5%, 99.3% and 95.5% of our total revenue attributable to construction works services, respectively, while our top five customers of construction machinery rental services accounted for approximately 44.7%, 65.7%, 63.4% and 60.4% of our total revenue attributable to construction machinery rental services, respectively.

As at the Latest Practicable Date, we did not enter into any long-term service agreement with any of our customers. As such, there is no assurance that we will be able to retain our customers or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of construction projects or rental arrangements awarded by our top five customers to us for whatever reasons, and we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial condition and operating results would be materially and adversely affected. Besides, if any of our top five customers experiences any liquidity problem, it may result in delay or default of payment/progress payments to us, which in turn would have an adverse impact on our cash flows and financial conditions. We cannot guarantee that we will be successful in diversifying our clientele base by obtaining significant number of new construction projects or rental arrangements from new or other existing customers.

RISK FACTORS

Our revenue is derived from our construction projects and rental services which are not recurring in nature and any decrease in the number of construction projects or rental arrangements awarded to us would affect our operational and financial results

Our engagements with our customers in both our construction works and rental service business segments were on a project-by-project basis. As at the Latest Practicable Date, we did not enter into any long-term agreement or master service agreement with our customers. After completion of the current construction projects or rental arrangements, our customers are not obliged to engage us again in subsequent construction projects or rental arrangements, and we have to undergo the entire tender or quotation selection process for every new construction project or rental arrangement. As such, our revenue derived from our construction projects and rental services is not recurring in nature.

We cannot assure you that our existing customers will award new construction projects or rental arrangements to us, and there is no guarantee that we would be able to maintain our business relationships with our existing customers. In the event that we are unable to attract new customers or secure new construction projects or rental arrangements from our existing customers, there may be a significant decrease in our revenue which may adversely affect our operational and financial results.

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

For the three years ended 31 March 2016 and the two months ended 31 May 2016, our revenue was approximately HK\$159.7 million, HK\$366.7 million, HK\$409.3 million and HK\$69.2 million, respectively. For the same period, our net profit was approximately HK\$29.2 million, HK\$35.9 million, HK\$36.7 million and HK\$3.2 million respectively. For the three years ended 31 March 2016 and the two months ended 31 May 2016, our gross profit was approximately HK\$36.8 million, HK\$52.2 million, HK\$66.4 million and HK\$8.0 million respectively, whereas our gross profit margin for the same period was approximately 23.1%, 14.2%, 16.2% and 11.6% respectively. For discussion of our results of operation, please refer to the section 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 ours 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, intensification of competition among construction works subcontractors and/or construction machinery rental services providers, aggravation in labour shortage, and other unforeseen factors such as adverse weather and geological conditions, any of which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

We cannot assure you that we will be able to achieve the same 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.

RISK FACTORS

We determine the price of our tender for construction projects based on the estimated time and costs to be involved in a construction project, and the actual time and costs incurred may exceed our estimate due to unexpected circumstances, thereby adversely affect our operations and financial results

We determine the price of tender for construction projects based on our cost estimate plus a certain mark-up margin. For details of the factors we take into account when making our cost estimate, please refer to the section headed “Business – Business Model and our Operation – Construction works – 1. Invitation for tendering, preparation and submission” in this prospectus. However, the actual time and costs incurred by us may be adversely affected by various factors, including: (i) unexpected geological conditions in the underground of the work sites; (ii) unfavourable weather conditions; (iii) disputes with customers, suppliers, subcontractors and other project parties; (iv) difficulties in retaining necessary number of workers with requisite skills; (v) receipt of variation orders from our customers; and (vi) other unforeseen circumstances. Significant deviation in any of these factors or other relevant factors from our expectation may lead to delay in completion or costs overrun by us. There is no assurance that the actual time and costs incurred by us would match our initial estimate and such delays, cost overruns or mismatch of actual time and costs with our estimates may reduce our profitability or expose us to litigation or claims from customers in case of delays.

If we set a significant mark-up margin to cater for the unfavourable circumstances above, our tender may become uncompetitive. There is no assurance that we will always be able to price our tender competitively. If we fail to do so, our customers may opt for our competitors, thereby resulting in a decrease in the number of construction projects awarded to us. This would adversely affect our operations and financial results. Meanwhile, if the mark-up margin set by us is too low, we may not be able to cover the financial impact of any unfavourable circumstances during project implementation. Our profitability in the construction project would hence be adversely and materially affected.

We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cash flows or financial results

We do not generally receive any sums as prepayment from our customers for our construction projects. Nonetheless, we have to incur various costs, including: purchase costs of diesel fuels, salary payments to our workers and progress payment to our subcontractors’ after commencement of our projects. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us. For details of the mechanisms of the progress payment and retention money, please refer to the section headed “Business – Business Model and our Operation” in this prospectus.

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, the trade and retention receivables amounted to HK\$62.2 million, HK\$110.3 million and HK\$148.7 million and HK\$144.2 million respectively, whereas the respective trade and retention receivables accounted for approximately 95.2%, 88.3%, 74.9% and 76.2% of the total current assets

RISK FACTORS

respectively. Additionally, the average trade receivable turnover days were approximately 94.5 days, 68.3 days and 96.5 days and 107.9 days for the three years ended 31 March 2016 and the two months ended 31 May 2016 respectively. For details of the fluctuations in our trade and retention receivables from customers and trade receivable turnover days, please refer to the section headed “Financial Information – Discussion of Certain Key Balance Sheet Items – Trade and retention receivables” in this prospectus. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or we will be able to collect all or any part of the retention receivable from our customers within the agreed credit terms.

Further, disputes may arise between us and our contractor as to the value of work done in a particular period, and hence, the progress payment that we are entitled. There is also a possibility that we may take longer than the trade receivable turnover days to collect payments. This will negatively affect our cash flows and financial performance.

Our cash flows may deteriorate due to potential mismatch in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers

We will delegate specific work tasks to different subcontractors from time to time. We also rely on construction machinery to carry out our operations, and need to purchase diesels for our construction machinery to complete our subcontract works. We also need to incur repair and maintenance costs for our machinery fleet. As such, we would record significant cash outflow in the event that we take up too many projects at a particular period of time.

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, the trade payables amounted to approximately HK\$10.2 million, HK\$13.9 million, HK\$37.5 million and HK\$45.9 million respectively, whereas the respective trade payables accounted for approximately 12.4%, 11.9%, 25.9% and 27.8% of the total current liabilities respectively. In addition, the average trade payable turnover days were 53.9 days, 27.9 days, 56.5 days and 80.0 days for the three years ended 31 March 2016 and the two months ended 31 May 2016 respectively. For details of the fluctuations in our trade payables to our suppliers and the trade payable turnover days, please refer to the section headed “Financial Information – Discussion of Certain Key Balance Sheet Items – Trade and other payables” in this prospectus.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. As discussed in the preceding paragraph above, our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention monies by our customers. Nevertheless, even if our customers settle such payments on time and in full, there can be no assurance that we would not experience any significant cash flow mismatch. Further, there can be no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch, we might have to raise funds by resorting to equity financing and/or banking facilities in order to meet our payment obligations in full and on time.

RISK FACTORS

If we fail to complete our construction works on time or at all, we may be liable to customers for breach of contract and be required to pay liquidated damages or other penalties

In some projects, the subcontracts may set out the due date of the subcontract works. If we fail to complete the subcontract works on or before the due date, we may be required to compensate our customers according to the mechanism stated in the subcontracts, unless they agree to grant us time extension to complete the remaining works.

Our construction works may be delayed or disrupted due to unforeseen circumstances that are beyond our expectation or control, including: (i) unexpected geological conditions in the underground of the work sites; (ii) unfavourable weather conditions; and/or (iii) other construction risks such as work injuries and disputes with customers, suppliers, subcontractors and other project parties.

As such, we cannot guarantee that we will be able to complete every project on time or at all, nor can we assure you that our customers would grant us sufficient time extensions to complete the outstanding works. If we fail to complete our construction projects on time, significant liquidated damages or other penalties may be imposed upon us, which would in turn adversely affect our profitability and operating results.

There is no guarantee that we would not be subject to any claims in relation to defects of our construction works, which may result in further costs to make good the defects, and/or deduction of the retention monies to be released and/or claims from our customers against us

As a subcontractor of construction works, we may be subjected to claims in relation to defects of our works. In general, our customers require us to provide a defect liability period, during which we will remain responsible for remedying any defects or imperfections discovered in relation to our works done. Such remedial actions may range from maintenance to minor repair works. In the event that substantive remedial actions were required, we may have to incur significant time and costs or subject to claims from our customers against us. If we fail to make good the defects as required, our customers may reduce or forfeit the retention monies withheld from us and further claim damages from us.

We rely on our staff and subcontractors to oversee the implementation of safety measures and procedures. There is no guarantee that the safety measures and procedures implemented at our construction sites could prevent the occurrence of industrial accidents of all kinds, which in turn may lead to claims in respect of employees' compensation, personal injuries, fatal accidents, and/or property damage against us

During the Track Record Period and up to the Latest Practicable Date, our Group has on occasions not complied with certain statutory requirements in relation to work safety which led to two criminal convictions. We have adopted certain work safety measures and procedures for our staff and our subcontractors' staff. For details, please refer to the section headed "Business – Occupational Health and Safety" in this prospectus. We rely on our staff and subcontractors to oversee the implementation of safety measures and procedures, and we cannot guarantee that all of the safety measures and procedures are strictly adhered to at any time nor can we assure

RISK FACTORS

you that our safety measures and procedures are sufficient to prevent the occurrence of industrial accidents of all kinds. In the event that the safety measures and procedures implemented at our construction sites are insufficient or not strictly adhered to, it may result in industrial accidents which would consequently lead to claims in respect of employees' compensation, personal injuries, fatal accidents, and/or property damage against us. This would result in significant financial loss, damages to our reputation in the construction industry, and adversely affect our financial conditions.

We were involved in four material ongoing legal proceedings against us as at the Latest Practicable Date. If we were found liable, we might have to make compensations, incur significant financial loss, and suffer damage to our reputation

As at the Latest Practicable Date, we were involved in four material ongoing legal proceedings. We were also subject to certain potential litigations. For details, please refer to the section headed "Business – Legal Proceedings and Legal Compliance" of this prospectus.

If any claims against us fall outside the scope and/or limit of our insurance coverage, our financial position may be adversely affected. Regardless of the merits of any outstanding and potential claims, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation in the construction industry if they are published by the press.

There is no assurance that the outcomes of the above proceedings would be favourable to us. If we were liable to make substantial amounts of damages, it would result in significant financial loss, damages to our reputation in the construction industry, and adversely affect our financial conditions. In addition, we may have to incur significant expenditures in defending ourselves in such proceedings.

It is not uncommon in our industry to have occurrence of accidents causing injury to our or our subcontractors' employee. Our performance may be adversely affected by such disputes and litigation

It is not uncommon in our industry to have occurrence of accidents causing injury to our or our subcontractors' employees, which may subsequently give rise to the corresponding employees' compensation claims and common law personal injury claims. We may be in disputes with the injured persons in respect of our responsibilities in connection with the accidents for various reasons. Such disputes may be in connection with contributory negligence of such injured person or whether the accident occurred during his/her employment with us or our respective subcontractor. Please refer to the section headed "Business – Occupational Health and Safety" in this prospectus for further information on occurrence of accidents during the Track Record Period and up to the Latest Practicable Date.

The handling of accidents and subsequent claims, litigations and other legal proceedings may sometimes involve a high degree of our management's attention and input. Handling of litigations and legal proceedings can be both costly and time-consuming, and may significantly divert the efforts and resources of our management. In addition, should any claims, litigation and legal proceedings against us fall outside the scope and/or limit of our insurance coverage, our financial position may be adversely affected.

RISK FACTORS

We may be involved in construction and/or labour disputes, legal and other proceedings arising out of our operations from time to time and may face significant legal liabilities as a result

We may be involved in disputes with our customers, suppliers, subcontractors and other project parties from time to time in relation to various matters including delay in completion of construction works, personal injury claims, complaints about the quality of completed works and damages to construction machinery rented to our customers.

Further, disputes may arise between us and the main contractor or employer as to the value of work properly done in a particular period and the progress payment that we are entitled to in the relevant period. In some projects, the subcontracts may contain a variation clause which allows the employers of the construction project and/or the main contractors to vary the subcontract works. The value of such variation works is generally ascertained with reference to the rates and prices specified in the subcontract for the like or analogous work and/or the prevailing market rate. In the event that we disagree with such valuation results, contractual disputes with our customers may arise.

There is no assurance that we may be able to resolve every occasion of disputes amicably by way of negotiation and/or mediation with the relevant parties. If we fail to do so, it may lead to legal and other proceedings against us, and consequently we may have to incur extensive expenditure in defending ourselves in such actions. If we fail to obtain favourable outcome in such proceedings, we may be liable to pay significant sums of damages which may adversely affect our operations and financial results.

Our operations are exposed to risks customary to the construction industry and our existing insurance coverage may not provide our Group with adequate protection against these risks

Our insurance may not fully cover all the potential loss and claims arising from our operation. Typical claims such as accidents and personal injuries suffered by workers retained by us and our subcontractors are generally covered by the insurance policy maintained by the main contractors of the construction projects. As to our construction machinery deployed in the work sites, we are generally required to maintain our own insurance policy. For details, please refer to the section headed “Business – Insurance” in this prospectus.

Nevertheless, we and/or our officers (as the case may be) may be exposed to claims in respect of matters that are not covered by the insurance policies we maintained. In addition, as to the insurance policies we maintained, there may be circumstances (such as fraud, gross negligence, natural disasters and acts of God) in which certain loss and claims would not be covered adequately, or at all.

In the event that we experience substantial loss, damages or claims arising from our operation at work sites which are not covered by the insurance policies, we may have to incur tremendous expenditure in making compensations, which would adversely affect our operating results and financial position.

RISK FACTORS

With respect to loss and claims which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from our insurers. In addition, we may not be able to recover the full amount of such loss from the insurer. We cannot assure you that our policies would be sufficient to cover all potential loss, regardless of the cause, or that we can recover such losses from our insurers.

We rely on our executive Directors and senior management staff, and their departure would adversely affect our operations and financial results

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our executive Directors and senior management team. In particular, we rely on the expertise and experience of Mr. Wu, our Chairman and executive Director, and Mr. Chan, our executive Director. Mr. Wu and Mr. Chan have been key members of our management team since our establishment and have been playing a critical role in conducting our daily operations and formulating our long-term business strategies. If one or more of our executive Directors or members of senior management depart from their present positions, we might not be able to replace them in a timely manner, or at all. Our business may as a result be severely disrupted and our financial condition and operating results may be materially and adversely affected.

Our construction works require substantive labour input. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

We rely on a stable supply of labour to carry out our construction works and construction machinery rental business. In particular, we require a large number of construction workers with various skills and expertise, machine operators and construction vehicle drivers. According to the Ipsos Report, however, Hong Kong has been experiencing a shortage of skilled labour in the construction industry and the issue of aging workers in the Hong Kong construction industry has been a persistent problem. As at the end of 2015, 43.8% of the 368,983 registered workers were over the age of 50 and it has been estimated by the Construction Industry Council that the field is short of approximately 10,000 to 15,000 workers. The problem has become serious with increasing demand of construction workers from China and Macau since the commencement of large-scale construction projects in these countries.

In view of the current situation in the labour market, we cannot assure you that we will not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs in the future, in which case we may need to offer better remuneration packages and other benefits to attract and retain key personnel and skilled labour. There can be no assurance that we will possess sufficient resources for such purpose. If we cannot retain or recruit sufficient number of skilled workers to handle our construction projects or rental services in a timely manner, we may experience delay in project completion and our ability to handle future construction projects or rental services would be significantly reduced consequently.

RISK FACTORS

We may be unable to attract and retain employees with the requisite skills, expertise and experience, which would adversely affect our operations, business growth and financial results

We rely on the skills, expertise and experience of our employees to provide quality service in our construction works and construction machinery rental business to our customers. Our employees may terminate their employment with us prematurely and we may not be able to retain them. Experienced and skilled workers or machine operators in the construction industry are highly sought for and competition for talent is intense. Our direct staff cost, including wages, salaries and other employee's benefits, amounted to approximately HK\$39.2 million, HK\$109.2 million, HK\$116.0 million and HK\$18.6 million for the three years ended 31 March 2016 and the two months ended 31 May 2016 respectively representing approximately 31.9%, 34.7%, 33.8% and 30.5% of our total costs of services respectively for the same period.

If we fail to attract and retain competent personnel or if there are any material increase in labour cost due to a shortage in the supply in skilled labour, our business and competitiveness would be adversely impacted. Further, if we fail to identify suitable replacements for our departed staff, our operation could be adversely affected and our future growth and expansions may be delayed.

Our Group's business and financial positions may be adversely affected in complying with the Competition Ordinance

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong), which became operational on 14 December 2015, prohibits among others anti-competitive agreements or concerted practice if the object or effect of the agreement or concerted practice is to prevent, restrict or distort competition in Hong Kong. Please refer to the section headed "Laws and Regulations – Competition Ordinance" in this prospectus for further details of the Competition Ordinance and the possible legal consequences in case of infringement. As the Competition Ordinance has only been operational since December 2015, there may be uncertainties on the full effect of the rules in respect of compliance, infringement and its effect on our operations. We may face difficulties and may need to incur legal costs in ensuring our compliance with the rules. We may also inadvertently infringe the Competition Ordinance and under such circumstance, we may be subject to fines and/or other penalties, incur substantial legal costs and may result in business disruption and/or negative media coverage, which could adversely affect our business, results of operations and reputation.

There is no assurance that we will pay dividends in the future

There is no assurance that our Group will declare dividends. The declaration, payment and amount of any future dividends are subject to the discretion of our 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, please refer to the section headed "Financial Information – Dividend" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

There is no guarantee that the Technical Circular or other similar administrative tools issued by the Government will not impose any negative impact on our Group

Under the Technical Circular, certain exempted Regulated Machines comprising generators, air compressors, excavators and crawler cranes, under the NRMM Regulation in Hong Kong will be phased out progressively from 1 June 2015 and will be allowed to be engaged in any new capital works contracts of public works including design and build contracts, with an estimated contract value exceeding HK\$200 million and tenders invited by 1 June 2019. For details of the NRMM Regulation and the Technical Circular, please refer to the section headed “Laws and Regulations” in this prospectus.

As at the Latest Practicable Date, our Group has 318 Regulated Machines in total and 190 of the Regulated Machines were granted exemption under the NRMM Regulation. The Technical Circular has been adopted by relevant works departments of the Government and is related directly to the contractual terms in the contracts between the Government and the main contractors in the construction industry. It is neither binding nor regulatory to our Group’s business operations and any breach of its clauses shall be a breach of contractual term between the respective Government department and the respective main contractor of which our Group is not a party. In view of such, our Directors consider that the Technical Circular will not have a direct impact to the existing public projects that our Group has been involved in, For illustration, our public projects accounted for approximately 3.4%, 18.4%, 16.4% and 37.4% of our Group’s total revenue for the three years ended 31 March 2016 and the two months ended 31 May 2016 respectively. We plan to spend approximately HK\$148.0 million to acquire approved NRMMs to enhance our machinery fleet and to comply with the phase out plan in the Technical Circular. The impact of such acquisitions on the depreciation charges for each of the four years ending 31 March 2020 amounts to approximately HK\$0.4 million, HK\$9.4 million, HK\$27.6 million and HK\$37.0 million, respectively. For more information about the operational and financial impact of the Technical Circular on our Group, please refer to the section headed “Business – Our Machinery – Possible impact of NRMM Regulation and the Technical Circular” in this prospectus. Nonetheless, we cannot guarantee that the Government will not extend the scope or interpretation of the Technical Circular or issue other similar administrative tools which will cause any potential impact to our business operation, if there is such a case, our business, financial position, results of operations and prospects may be materially and adversely affected.

If the proposed security of payment legislation (the “SOPL”) for the construction industry comes into force, it might result in adverse impact on our Group’s liquidity and operation

The Development Bureau issued a consultation document on the proposed SOPL for the construction industry in June 2015.

The proposed SOPL will apply to all contracts under which the Government (and certain specified statutory and/or public bodies and corporations) procure construction activities or related services, materials or plant. Relevant construction activities include new build works and repair, maintenance and renovation works amongst others. Subcontracts of all tiers will also be covered regardless of value.

RISK FACTORS

The proposed SOPL will also apply to private sector contracts, but only where the employer is procuring construction activities or related services, materials or plant for construction of a “new building”. Also, the employer’s main contract value must exceed a specified amount (tentatively HK\$5,000,000 for construction contracts and HK\$500,000 for professional services and supply only contracts). Where the main contract is subject to the proposed SOPL, then sub-contracts of all tiers will also be subject to the proposed SOPL regardless of value. Where the main contract is not subject to the proposed SOPL, then the sub-contracts will not be subject to the proposed SOPL.

Under the proposed SOPL, parties will still retain a large degree of freedom to agree on the payment terms that best suit their needs. Nevertheless, the proposed SOPL will impose certain obligations, in particular, “pay when paid” clauses will not be effective or enforceable.

Due to the nature of our construction works, we generally pay our suppliers upon collecting payments from our customers. For more discussion, please refer to the section headed “Financial Information – Discussion of Certain Key Balance Sheet Items – Trade and other payables – (i) Trade payables” in this prospectus. If the proposed SOPL comes into force, we will not be able to continue our “pay when paid” practice against our suppliers, which might result in adverse impact on our Group’s liquidity and operation.

Changes in existing laws, regulations and Government policies, including the introduction of more stringent laws and regulations on environment protection and labour safety may cause us to incur substantial additional expenditure

Many aspects of our business operations are governed by various laws and regulations, and Government policies. The requirements in respect of the granting and/or renewal of various licenses and qualifications in the construction industry may change from time to time, and we may not be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden for compliance, which may materially and adversely affect our business, financial condition and results of operations. For example, if there are any change to and/or imposition of requirements for qualification in the construction industry in relation to environment protection and labour safety and we fail to meet the new requirements in a timely manner or at all, our business operations will be materially and adversely affected.

We face competition with existing and new construction machinery rental service providers despite of the entry barriers in the construction machinery rental industry. The increased level of competition in the market we operate in may lead to a reduction of our market share and profits

According to the Ipsos Report, there were around 60 construction machinery rental service providers in Hong Kong as of April 2016 and the top five construction machinery rental service providers accounted for an estimated HK\$969.1 million or 21.5% of the total revenue of the construction machinery rental service industry in 2015. With over 30 years of development in Hong Kong, the construction machinery rental service industry has entered its mature stage and these service providers are now offering value-added services such as

RISK FACTORS

machinery recommendation, after-sale services, and the provision of experienced workers to operate the construction machinery to capture potential customers. These service providers may have well established relationship with their customers and are reputable in the construction machinery rental service industry. There are entry barriers for new entrants to enter the construction machinery rental service industry in Hong Kong, such as challenges in acquiring industry expertise, accumulating initial capital investment, and sourcing customers which already have established relationships with their existing service providers. However, we are still faced with competition from existing construction machinery rental service providers as well as new entrants which can overcome these entry barriers. Additionally, there is an absence of institutional or legal entry barrier in the provision of construction machinery rental in Hong Kong. We cannot assure you that our competitors will not develop the expertise, experience and resources necessary to provide services that are superior in quality and/or in price as compared to our services. Failure to maintain or enhance our competitiveness within the industry or maintain our customer base may result in decrease in profit margins and loss of market share, thereby our financial performance and profitability may be adversely affected.

We operate in a highly competitive market

The construction industry is highly competitive. There are a significant number of industry players who provide similar services to ours. Our construction work business segment contributes HK\$107.5 million, HK\$153.0 million, HK\$168.9 million and HK\$31.8 million which is approximately 67.3%, 41.7%, 41.3% and 45.9% of our revenue in the three years ended 31 March 2016 and the two months ended 31 May 2016. According to the Ipsos Report, there were 311 and 1,241 subcontractors registered at the Construction Industry Council under the group of foundation and piling and general civil works respectively as at 20 June 2016. Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, longer operating history, longer and more established relationship with main contractors, and greater marketing and other forms of resources. Further, new participants may enter the industry as they wish provided that they possess all the relevant licences and qualifications required.

Our Group contributed to approximately 0.6% of the total revenue in the foundation and site formation industry in Hong Kong in 2015. If the competition among construction work subcontractors intensifies, we may be under pressure to reduce our quotation or tender price, which would have an adverse impact on our project profitability and operating results. We cannot guarantee that we can cope with the enhanced competition in the future or that we can maintain our current position in the industry.

RISK FACTORS

Any changes in the prevailing market conditions and trends in the construction industry may adversely affect our performance and financial condition

Our Group's operations are currently located in Hong Kong only. The number of construction projects awarded to us and the demand for our construction machinery rental service is highly dependent on the availability of construction projects and the prevailing market conditions in the construction industry in Hong Kong. According to the Ipsos Report, the construction industry experienced significant growth in recent years due to the rising demand for commercial and residential buildings as well as for infrastructure. In particular, the public sector witnessed higher levels of construction project value than the private sector in the past five years due to key construction projects such as the Public Housing Development Program. The public expenditure on infrastructure witnessed significant growth from about HK\$52.5 billion in 2011 to about HK\$79.5 billion in 2015, at a CAGR of 10.9%. However, there is no assurance that the Government would maintain its spending on infrastructure at the current level. If the Government reduces its spending on infrastructure works or reverses its housing policy, it may have a direct adverse impact on the market conditions of the construction industry in Hong Kong, which would likely result in a drop in the number of projects awarded to us and reduction in subcontract sum. Our performance and financial condition would be adversely affected as a result.

In addition, the market conditions of the construction industry in Hong Kong are influenced by various factors, including: (i) shortage of skilled labour; (ii) economic fluctuations in Hong Kong; (iii) availability of new projects in the private sector; and (iv) general conditions and development of Hong Kong economy. If there is any significant deterioration in any of these factors, our operating results and financial conditions could be adversely affected.

RISKS RELATING TO HONG KONG

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

All of our revenue generated during the Track Record Period was derived from providing construction works and construction machinery rental services 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, 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.

RISK FACTORS

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

Hong Kong is a special administrative region of 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 currently in place at the moment. Since all of our operations are based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our results of operations and financial positions.

RISKS RELATING TO THE SHARE OFFER

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

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Main Board will be the only market on which the Shares will be publicly traded. We cannot assure our investors that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure our investors that our Shares will be traded in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price and volume of our Shares may be volatile, which could result in substantial loss to our investors

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares; changes in securities analysts’ (if any) estimates of our financial performance; investors’ perceptions of our Group and the general investment environment; changes in laws, regulations and taxation systems which affect our operations; and the general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. The market price of our Shares may change unexpectedly due to factors such as variations in our revenue, net income and cash flow; the success or failure of our efforts in implementing business and growth strategies; and our involvement in material litigation as well as recruitment or departure of key personnel. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

RISK FACTORS

As there will be a gap of several days between the pricing and the trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins. The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, Shareholders are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price is higher than the net tangible asset value per Share. Hence, investors of our Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK\$0.18 per Share based on the Offer Price at HK\$0.5 per Offer Share (being the mid-point of the proposed Offer price range).

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 future 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, our existing Shareholders' shareholding 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 the Shares of our existing Shareholders.

Future disposal or perceived disposal of a substantial number of Shares of our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our Shares

Disposal of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception of such disposal could adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of new Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders could materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

RISK FACTORS

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

Our 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 our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the best interests of other Shareholders, those other Shareholders' interest may be adversely affected as a result.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Share Offer

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press and media coverage regarding the Share Offer and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

RISK FACTORS

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

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ABOUT THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share 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 authorised by our Company, the Selling Shareholder, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, and any of their respective directors, agents or advisers or any other person involved in the Share Offer.

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

FULLY UNDERWRITTEN

The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer of 25,000,000 Shares under the Public Offer (subject to reallocation) and 225,000,000 Shares (comprising 150,000,000 New Shares and 75,000,000 Sale Shares) under the Placing (subject to reallocation and the Over-allotment Option) in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. This prospectus and the Application Forms relating thereto set out the terms and conditions of the Share Offer.

The Share Offer is sponsored by the Sponsor, lead managed by the Joint Lead Managers and is fully underwritten by the Underwriters subject to the Offer Price being agreed on or before the Price Determination Date, as referred to in the section headed "Underwriting – Underwriting Arrangements and Expenses" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be determined by agreement between us (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 8:00 p.m. on Friday, 2 December 2016. The Offer Price will be not more than HK\$0.6 per Offer Share and is currently expected to be not less than HK\$0.4 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.6 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.6 per Offer Share.

The Joint Lead Managers (acting for themselves and on behalf of the Underwriters) may, with consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published at the website of the Stock Exchange at www.hkexnews.hk and our website at www.ppgh.com.hk, not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between us (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (acting for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Saturday, 3 December 2016 or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in PRC or U.S., except in compliance with the relevant laws and regulations of each of such jurisdiction.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

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

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

SELLING SHAREHOLDER

One of the Controlling Shareholders, Profit Gold, is expected to sell 75,000,000 Sale Shares under the Placing. Please refer to the details in the section headed “E. Other Information – 11. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has 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 Share Offer (including the additional Shares which may be issued pursuant to the Capitalisation Issue, exercise of the options that may be granted under the Share Option Scheme and exercise of the Over-allotment Option). No part of the share or loan capital of our Company 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 in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of Listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. 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 our Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands. All Offer Shares will be registered on our Hong Kong branch share register of members to be maintained by Tricor Investor Services Limited which may be traded on the Stock Exchange. Dealings in Shares registered in our Hong Kong branch register of members will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, or purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares, you should consult an expert.

None of our Company, the Selling Shareholder, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors, agents or advisors and every other person involved in the Share Offer accept responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

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

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

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

STOCK BORROWING ARRANGEMENT

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

TRADING AND SETTLEMENT

Dealings in the Shares are expected to commence on Thursday, 8 December 2016. Shares will be traded in board lots of 5,000 Shares each. The stock code for our Shares is 1581.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

EXCHANGE RATES CONVERSION

For exchange rates translations throughout this prospectus (if any), we make no representations and none should be construed as being made, that any of the Hong Kong dollar or U.S. dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

ROUNDING

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. WU Wing Hang (胡永恆)	House C3 The Woodsville 18 Hung Shun Road Hung Shui Kiu Yuen Long New Territories Hong Kong	Chinese
Mr. CHAN Tak Ming (陳德明)	Flat G, 15/F Paradise Square 3 Kwong Wa Street Mong Kok Kowloon Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Mr. WONG Yiu Kit Ernest (黃耀傑)	Room 1, 3/F, Block 40 Heng Fa Chuen 100 Shing Tai Road Chai Wan Hong Kong	Chinese
Mr. LEE Man Tai (李文泰)	Flat 69, 11/F Yee On Mansion 55-71 Chun Yeung Street North Point Hong Kong	Chinese
Mr. LEUNG Ka Fai (梁家輝)	Room 917 Kwai Wo House Lek Yuen Estate Shatin New Territories Hong Kong	Chinese

Please refer to the section headed “Directors, Senior Management and Staff” of this prospectus for further details.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Ample Capital Limited
Unit A, 14/F
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong
(A licensed corporation carrying on Type 4 (advising on securities), Type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)

Joint Bookrunners and Joint Lead Managers

Ample Orient Capital Limited
Unit 902
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Sorrento Securities Limited
11/F
The Wellington
198 Wellington Street
Central
Hong Kong

Legal advisers to our Company

as to the Hong Kong Law
David Fong & Co.
Unit A, 12/F
China Overseas Building
139 Hennessy Road
Wan Chai
Hong Kong
(Solicitors of Hong Kong)

as to the Cayman Islands Law
Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong
(Cayman Islands attorneys-at-law)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Sponsor and the Underwriters	<i>as to the Hong Kong Law</i> Francis & Co. in association with Addleshaw Goddard (Hong Kong) LLP 802-804 Champion Tower 3 Garden Road Central Hong Kong <i>(Solicitors of Hong Kong)</i>
Reporting accountants	SHINEWING (HK) CPA Limited 43/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong <i>(Certified Public Accountants)</i>
Tax adviser	SHINEWING Tax and Business Advisory Limited 43/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Internal control consultant	SHINEWING Risk Services Limited 43/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Compliance adviser	Ample Capital Limited Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Receiving bank	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarter and principal office of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 1919, 19/F Tuen Mun Central Square 22 Hoi Wing Road Tuen Mun New Territories Hong Kong
Company's website	<u>www.ppggh.com.hk</u> <i>(information on the website does not form part of this prospectus)</i>
Company secretary	Ms. Lee Ying Ying Flat D, 18/F, Block 1 Rhythm Garden 242 Choi Hung Road Choi Hung Kowloon Hong Kong
Authorised representatives	Mr. Wu Wing Hang House C3 The Woodsville 18 Hung Shun Road Hung Shui Kiu Yuen Long New Territories Hong Kong Ms. Lee Ying Ying Flat D, 18/F, Block 1 Rhythm Garden 242 Choi Hung Road Choi Hung Kowloon Hong Kong
Audit committee	Mr. Lee Man Tai (<i>Chairman</i>) Mr. Wong Yiu Kit Ernest Mr. Leung Ka Fai

CORPORATE INFORMATION

Remuneration committee	Mr. Wong Yiu Kit Ernest (<i>Chairman</i>) Mr. Wu Wing Hang Mr. Lee Man Tai
Nomination committee	Mr. Leung Ka Fai (<i>Chairman</i>) Mr. Wu Wing Hang Mr. Wong Yiu Kit Ernest
Cayman Islands principal share register and transfer office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bank	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus are extracted from the Ipsos Report. The information extracted from the Ipsos Report reflects estimates of market conditions based on research and analysis of Ipsos. The information extracted from the Ipsos Report should not be viewed as a basis for investments provided by Ipsos and references to the Ipsos Report should not be considered as opinion of Ipsos as to the value of any security or the advisability of investing in our Company. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by us, neither we, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective affiliates, directors or advisers, nor any party involved in the Share Offer have independently verified such information and statistics directly or indirectly derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled by other parties.

REPORT CONDUCTED BY IPSOS

Our Group commissioned Ipsos, an independent market research company, to conduct an analysis of and produce the report on the foundation and site formation as well as construction machinery rental industries in Hong Kong. Ipsos received a total fee of HK\$508,000, which the Sponsor believes such reflects the market rate.

Our Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, is independent of and not connected with our Group in any way. Ipsos has given and has not withdrawn its consent to quote from the Ipsos Report and to use information contained therein in this document.

Founded in Paris, France, in 1975 and publicly-listed on the Paris Stock Exchange in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos became the third largest research company in the world which employs approximately 16,000 personnel worldwide across 87 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering methodology which includes: (i) desk research and (ii) primary research by interviewing key stakeholders and industry experts in Hong Kong including government officials, developers, main contractors, subcontractors, architectures, quantity surveyors, industry experts, and associations. Intelligence gathered has been analysed, assessed and validated using Ipsos' in-house analysis models and techniques.

The following assumptions are used in the Ipsos Report:

- the supply of and demand in the construction industry and the construction machinery rental industry in Hong Kong will remain stable over the forecast period; and
- there will be no external shocks such as financial crises or natural disasters which may affect the demand and supply in Hong Kong's construction industry and the construction machinery rental industry during the forecast period.

INDUSTRY OVERVIEW

RELIABILITY OF INFORMATION AND FUTURE FORECAST IN THE IPSOS REPORT

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

We believe that the sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

Some of the analytical conclusions extracted from the Ipsos Report cover future forecasts. The following parameters are considered in the marketing sizing and forecasting model of the Ipsos Report:

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

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

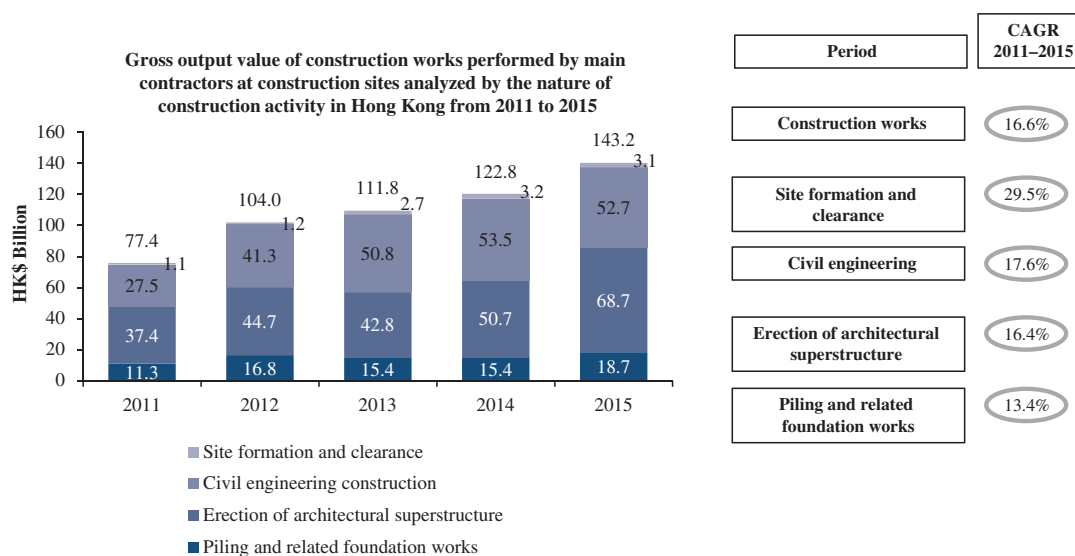
INDUSTRY OVERVIEW

OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

The construction industry in Hong Kong accounted for about 3.3%-4.3% of the GDP from 2010 to 2014. Revenue of the construction industry refers to gross value of construction works in nominal term performed by main contractors and subcontractors at construction sites. The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong increased from about HK\$89.0 billion in 2011 to HK\$173.2 billion in 2015, at a CAGR of 18.1%. The gross output value is expected to increase from HK\$183.1 billion in 2016 to HK\$232.3 billion in 2020.

The value of construction projects commissioned by main contractors in the public sector increased from about HK\$42.1 billion in 2011 to about HK\$77.1 billion in 2015, at a CAGR of 16.3%. During the same time, the value of construction projects performed by main contractors in the private sector increased from about HK\$35.3 billion to about HK\$66.1 billion, at a CAGR of 17%.

The gross output value of specific segments of construction works from 2011 to 2015 such as civil engineering construction, erection of architectural superstructure, piling and foundation works, and site formation and clearance increased at CAGR of 17.6%, 16.4%, 13.4%, and 29.5%, respectively.



The public sector witnessed higher levels of construction project value than the private sector in the past five years, as key construction projects were mostly infrastructure projects, such as the Public Housing Development Program and the Ten Major Infrastructure Projects, with the latter including the South Island Line, Sha Tin to Central Link, Lok Ma Chau Loop, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, West Kowloon Cultural District, Kai Tak Development, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas, and Hong Kong-Shenzhen Western Express Line.

INDUSTRY OVERVIEW

With Hong Kong's economic recovery, the construction industry experienced significant growth due to the rising demand for commercial and residential buildings as well as for infrastructure. From 2016 to 2020, investment in public infrastructure is expected to continue. Yet, given the recent filibuster in Hong Kong Legislative Council, public investment in infrastructure has slowed down which may in turn slow down the growth of the construction industry. Nevertheless, as the Government is expected to continue its investment on infrastructure and public housing in the long run, the construction industry in Hong Kong is likely to grow moderately.

Major participants in the construction industry in Hong Kong

Construction projects are initiated by land owners, property developers, or government departments. Land owners or property developers win auctions for the public land sites in order to obtain land ownership, usually for building projects including residential, commercial, and industrial projects. These projects can be divided by the nature of construction activity, including site formation, piling, demolition, erection of architectural superstructure, and structural alteration. In addition, infrastructure projects are mostly undertaken by government departments or government-related companies such as the MTR.

As of 6 April 2016, about 688 general building contractors eligible for private construction works were registered with the Buildings Department. In addition, about 271 contractors were approved by the Development Bureau for public sector works including buildings, roads and drainage, port works, site formation, and waterworks.

The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong reached about HK\$173.2 billion in 2015, while 17.3% was attributed to subcontractors.

Main contractors

In the Hong Kong construction industry, main contractors are majorly in charge of the entire construction project, and outsource construction works to different subcontractors in accordance with their specialties and knowledge.

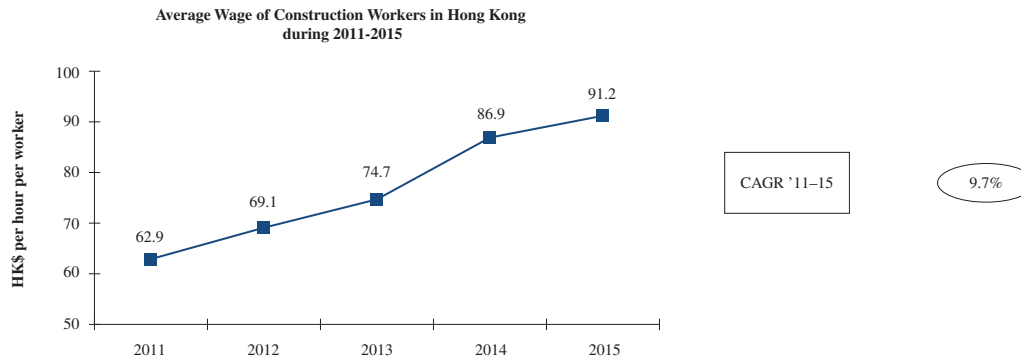
Before starting construction works, main contractors and/or subcontractors procure and prepare raw materials steel, as well as the necessary equipment from different suppliers. Generally, those suppliers maintain long-term business relationships with main contractors and subcontractors. In addition, some contractors do not have their own construction machinery and thus they usually rent the required machinery from construction machinery rental services providers.

Subcontractors

While undertaking large-scale projects, main contractors usually outsource some parts of the construction work to subcontractors according to their expertise and specialist knowledge. For example, a main contractor might outsource the general building works to contractors. Multilayer subcontracting is a common practice in Hong Kong's construction industry.

INDUSTRY OVERVIEW

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



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

The average wage of construction workers is expected to grow in the forecast period due to the labor supply shortage exacerbated by the labor requirements of large infrastructure projects. The rise in average wage of construction workers led to the increase in labor cost in the construction industry. Consequently, the final project fee increased as a result of cost transfer to customers. The Supplementary Labour Scheme allows employers with difficulties finding local staff to import workers at technician or below level. This increase in supply could potentially reduce wage growth.

OVERVIEW OF HONG KONG'S FOUNDATION AND SITE FORMATION INDUSTRY

In 2015, the total gross output value of foundation and site formation works in Hong Kong reached about HK\$27.8 billion.

Foundation Industry

Demand for foundation works depends largely on demand for construction works, as common foundation works such as drilling and piling are usually conducted only after a construction project starts. As such, the revenue growth in the foundation industry is close to that in the construction industry. In 2015, the revenue of Hong Kong's foundation industry accounted for about 13.0% of the gross output value performed by main contractors and subcontractors at local construction sites, suggesting the importance of foundation works in a construction project. During 2011-2015, the construction industry and the foundation industry grew at CAGRs of about 18.1% and 14.8%, respectively.

INDUSTRY OVERVIEW



The gross output value of Hong Kong's foundation contracting industry grew significantly at a CAGR of 14.8% from HK\$13.0 billion in 2011 to HK\$22.6 billion in 2015. The revenue of the foundation industry is forecasted to increase at a CAGR of about 6.4% over 2016-2020, from HK\$ 24.5 billion to HK\$ 31.4 billion due to the expected increase in demand for residential and commercial buildings as well as public infrastructure projects.

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

Site Formation Industry

The size of the site formation industry ranges between approximately 6% and 16% of the foundation contracting industry. The site formation industry grew with a CAGR of approximately 29.5% during the 2011-2015 period. The gross output value of site formation works performed by main contractors grew from about HK\$1.1 billion in 2011 to about HK\$3.1 billion in 2015, at a CAGR of 29.5%, owing to the rapid development of the construction industry.

Demand

The Government's plans to increase local housing supply will positively affect the demand for foundation works.

The Government has taken initiatives to increase the housing supply. The Government, through the 2013 and 2014 Policy addresses, announced that 150 sites in the country are reserved for residential development which could potentially provide 210,000 public and private housing units. According to 2016 Policy addresses, the statutory planning procedure for 46 of these sites have been completed, which is capable of producing 41,000 flats. The Government will also redevelop old public housing units, which will provide an estimated 11,900 additional units of public rental housing and Home Ownership Scheme in the coming years. These Government's plans to increase local housing supply are expected to drive the demand for foundation and site formation work in Hong Kong.

INDUSTRY OVERVIEW

The development of the site formation and foundation work contracting industry are positively correlated.

Site formation works include excavations on sloping land, filling, landslip preventive works, landslip remedial works, and ground water drainage works. These works are necessary to prepare a piece of land for foundation works and the subsequent construction of buildings and other structures.

Site formation works facilitate construction works in uneven areas such as slopes.

Some slopes in uneven areas are unsuitable or even impossible for the construction of buildings. For these areas, site formation works are required, such as site clearance, slope cutting by excavation, land leveling, stabilization of natural or new slopes, construction of retaining walls, and formation of access roads and drainage systems. Site formation works are essential for land development because they make construction works possible and easier to perform. Site formation works are indispensable in Hong Kong, which has numerous mountains and slopes.

COMPETITIVE LANDSCAPE OF THE FOUNDATION AND SITE FORMATION INDUSTRY IN HONG KONG

Industry structure

In 2015, the foundation and site formation industry in Hong Kong is fairly consolidated with the top 5 players of the total industry revenue. The top 5 foundation and site formation works contractors shared about 43.5% of the total industry revenues in 2015.

INDUSTRY OVERVIEW

Top five foundation and site formation works contractors in Hong Kong in 2015

Rank	Name of company	Headquarters location	Revenue in foundation and site formation industry in 2015 (HK\$ million)	Share of total foundation and site formation industry revenue (%)	Key product and service scope
1	Industry Player A	Hong Kong	3,504	13.2%	Large diameter bored pile (with bell-out), mini-pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
2	Customer B	Hong Kong	2,970	11.3%	Barrette pile, large diameter bored pile (with bell-out), mini-pile, non-percussion cast-in-situ concrete pile, percussion cast-in-situ concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
3	Industry Player B	Hong Kong	2,439	9.2%	Large diameter bored pile (with bell-out), precast concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile
4	Industry Player C	Hong Kong	1,376	5.2%	Large diameter bored pile (with bell-out), mini-pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile
5	Industry Player D	Hong Kong	1,183	4.5%	Driven steel H-pile, driven precast concrete pile, prebored socketed steel H-pile, mini-pile, prebored friction pile, pipe pile, soldier pile and sheet pile for pile wall, bored pile, footing and pile caps
Others			14,911	56.5%	
Total			<u>26,383</u>	<u>100%</u>	

INDUSTRY OVERVIEW

Top five foundation subcontractors in Hong Kong in 2015

Rank	Name of Company	Headquarters Location	Revenue in 2015 (HK\$ million)	Share of total foundation industry revenue (%)
1	Competitor A	Hong Kong	634.4	2.8%
2	Competitor B	Hong Kong	454.9	2.0%
3	Competitor C	Hong Kong	394.4	1.7%
4	Competitor D	Hong Kong	324.0	1.4%
5	Competitor E	Hong Kong	308.3	1.4%
Others			20,486.0	90.6%
Total			22,602.0	100.0%

Number of competitors

As of April 2016, there were 140 Specialist Contractors (Sub-register of Foundation Works Category) and 179 Specialist Contractors (Sub-register of Site Formation Works Category) registered with the Buildings Department eligible for private construction work. In addition, under the Development Bureau, there were 40 registered specialist contractors for public works under the land piling category and 80 registered specialist contractors in site formation. Besides, as of 20 June 2016, there were 311 subcontractors registered at the Hong Kong Construction Industry Council under the group of foundation and piling.

Our Group accounted for approximately 0.6% of the total revenue of HK\$26.4 billion of the foundation and site formation industry in Hong Kong in 2015.

Factors of competition

Established reliable working relationships with customers, subcontractors, raw material suppliers and workers

A foundation contractor or subcontractor is considered competitive if it can maintain good relationships with its customers, subcontractors (where relevant) and raw material suppliers. For instance, main contractors tend to outsource their projects to subcontractors that have proven high-quality work and on-time project completion track records, especially the subcontractors whom they have previously collaborated with. Established long-term business relationships with raw material suppliers and other subcontractors provide a foundation subcontractor more flexibility in negotiating prices, allocating resources and executing projects compared with their competitors. In addition, good employment relationships and wide networks are also important to retain skilled in-house labor.

INDUSTRY OVERVIEW

Experience in foundation works project management and technical expertise

Technical expertise and experience in foundation project management is an important factor to meet project timeline, quality and budget. With an experienced project management team having good technical understanding of foundation works, a contractor is able to address different issues that may arise during project execution, and foresee potential problems during the project. The contractor's experience will also determine its capability of effectively and efficiently source and allocate resources including workers, raw materials and specialized machineries to complete works on time and within a competitive budget.

Industry reputation and proven track record

Foundation contractors with a proven track record have better industry reputation and are more likely to win project tenders based on their proven reliability and experience in completing foundation works. If a foundation contractor can complete projects on time, perform quality foundation works and meet safety and environmental requirements, it would be regarded as holding proven track records. In addition to the good track record, foundation contractors with proven safety records are also considered more competitive than their competitors. Since accidents and fatalities would bring lengthy and expensive lawsuits to all parties involved in the project, foundation contractors with proven safety records would give confidence to their customers that they have a lower possibility of facing accidents and fatalities.

Competitive project pricing

Another major competitive factor that comes into play is competitive project pricing. Foundation contractors who are able to offer lower price for their services will generally be more competitive to the clients, which may help a foundation contractor to attract more customers. In addition, competitive pricing strategies differentiate a foundation contractor from its competitors, enhancing the market position of the contractor.

MARKET GROWTH DRIVERS OF THE FOUNDATION AND SITE FORMATION INDUSTRY IN HONG KONG

Government's initiative to increase the supply of residential properties

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

INDUSTRY OVERVIEW

According to the 2016-17 Budget, the Government has continuously made efforts to increase the land for residential use as well as commercial use. For public housing, the Government has adopted the public housing supply target of 280,000 units for the 10-year period from 2016-17 to 2025-26. For private housing, it is estimated that private housing land supply in 2016-2017 has a capacity to produce over 29,000 units, including 19,000 units generated from the 2016-17 Land Sale Programme and other units generated from railway property development projects, the Urban Renewal Authority's projects and private redevelopment and development projects. The Government's initiative to increase the housing supply will, therefore, fuel the growth of the foundation industry in the future.

Start of numerous large-scale infrastructure projects

Since the announcement of the "Ten Major Infrastructure Projects" in 2007 Policy Address, the growth of the foundation industry has been supported by the commencement of these large-scale infrastructure projects such as the MTR extension projects and the development areas in Wan Chai and the New Territories. In addition, large-scale infrastructure projects such as 5 railway projects are currently at different stages of implementation and are expected to be completed between 2015 and 2021. These projects include the West Island Line, the South Island Line (East), the Kwun Tong Line Extension, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), and the Shatin to Central Link.

Market growth drivers of the site formation industry are similar to those of the foundation industry.

ENTRY BARRIERS OF THE FOUNDATION AND SITE FORMATION INDUSTRY IN HONG KONG

High capital requirement for foundation main contractors

In Hong Kong, foundation contractors require large amount of initial capital to purchase or rent specialized machineries and fulfill capital requirement for registration. They have to fulfill numerous minimum capital requirements to register under different government departments.

Possession of specialized foundation works machinery

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

INDUSTRY OVERVIEW

Proven practical industry experience

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

Technical capability requirement

The foundation industry in Hong Kong has shown a trend of technical capability requirement in recent years. In the past few years, Hong Kong's foundation companies have earned a reputation in high-quality construction work. Furthermore, the number of projects requiring sophisticated technology has been rising in the foundation industry in Hong Kong. With the growing size and complexity of the projects, foundation contractors who own advanced technical capabilities would be more competitive in Hong Kong's foundation industry.

Entry barriers of the site formation industry are similar to those of the foundation industry.

THREATS TO HONG KONG'S FOUNDATION INDUSTRY AND SITE FORMATION

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

The Hong Kong construction and foundation industries have been facing the problem of labor shortage and aging workforce. According to the Construction Industry Council, 43.2% of the total 378,840 registered workers were aged over 50 as of 31 March 2016. With the shrinking labor force, the industry is also struggling to attract and retain skilled workers. The Hong Kong Construction Industry Council (HKCIC) estimates that the field is short of approximately 10,000-15,000 workers. The problem has become serious with the increasing demand of construction workers from China and Macau since the commencement of large-scale construction projects in these countries. China and Macau, by offering higher salaries, have successfully attracted the construction workers from Hong Kong. With the lack of sufficient construction workers, especially those with experience and skills, the probability of project delays will increase in the construction as well as foundation industry. Furthermore, to retain experienced construction workers who may be attracted by higher salaries offered in Macau and China, contractors in Hong Kong have started paying higher wages which has led to the increasing labor costs in construction and foundation industries.

INDUSTRY OVERVIEW

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

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

Increasing competitors intensify competition in the foundation industry

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

However, large numbers of projects requiring sophisticated technology have been surging in Hong Kong's foundation industry. Therefore, large contractors with good reputation and advanced technical capabilities still maintain their competitiveness. Increasing competition may impact profit margins on foundation works, especially for small contractors with insufficient capital, while large contractors are relatively less impacted.

These threats and challenges are also relevant for the site formation industry.

OVERVIEW OF HONG KONG'S CONSTRUCTION MACHINERY RENTAL SERVICE INDUSTRY

The revenues of the construction machinery rental industry accounted for 2.6%, of the total revenues of the construction industry in 2015. As of April 2016, there were about 60 construction machinery rental service providers.

Growth in the construction machinery rental service industry is largely attributable to the rising demand in construction industry and its flexible systems in achieving customers satisfaction. The public expenditure on infrastructure in Hong Kong has been increasing from about HK\$52.5 billion in 2011 to HK\$79.5 billion in 2015, representing a CAGR of approximately 10.9%. The increasing public expenditure on infrastructure was mainly driven by mega-sized infrastructure projects in Hong Kong, which has driven up the demand of construction machinery and equipment as well.

Construction machinery rental service providers in Hong Kong offer a variety of machinery. Crawler cranes, aerial platform, power and energy equipment, material handling equipment, load shifting machinery and foundation equipment are the common types of machinery offered by the construction machinery rental service providers in Hong Kong.

INDUSTRY OVERVIEW

Demand

Contractors in the building construction and infrastructure sectors are the major customers in the construction machinery rental service industry in Hong Kong. The majority of customers are contractors in the building construction and infrastructure sectors, who use machineries such as crawler cranes, excavators and bulldozers in their construction projects. In particular, these customers are mostly private contractor companies that engage in both private and public construction projects.

Depending on the customers' project pipelines and their expectation of construction machinery prices and rental rates, customers may choose to either lease or to purchase construction machineries.

Customers are inclined to rent possibly most of the machinery from one company in order to reduce the level of coordination and risks potentially induced. In Hong Kong, due to a high construction standards, the machinery is sometimes requested to be up-to-date and more advanced.

Based on industry practice, there is no seasonality for construction machinery rental operations as construction projects are undertaken year-round due to stable climate in Hong Kong. Meanwhile, rental rates for construction machinery may fluctuate from time to time depending on demand and supply situation associated with the market cycle of the construction and infrastructure industries.

Supply

There are around 60 construction machinery rental service providers in the market, including a number of small companies which offer only one or a few types of machines. A number of the construction machinery rental service providers offer extra optional services such as machinery recommendation, after-sale services, and the provision of experienced workers to operate the machinery. The construction machinery rental companies can engage in most of the stages of the projects whenever it comes to constructing. The construction machinery rental service companies source machines and vehicles from either machinery and vehicles manufacturers directly or local machinery and vehicles trading service providers.

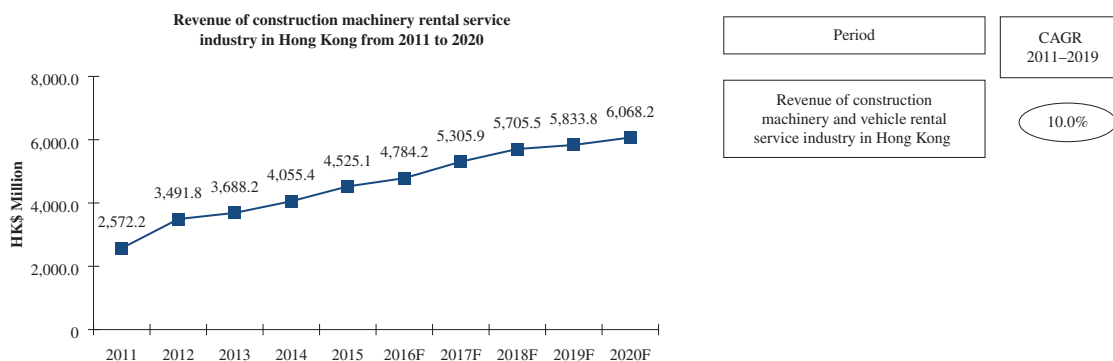
The typical operating costs incurred in the construction machinery rental service industry include procurement cost of diesel fuel and machinery and vehicle parts, labor cost, as well as machinery repair and maintenance cost.

As construction contractors often require machine and vehicle operators during the leasing period of machinery and vehicle rental, it is often the case that medium-and-large size construction machinery rental service providers will provide the operators along with the leased machinery. To ensure the safety of construction sites, machine operators should be licensed and registered under the Construction Workers Registration Board of the Construction Industry Council.

INDUSTRY OVERVIEW

REVENUE OF THE CONSTRUCTION MACHINERY RENTAL SERVICE INDUSTRY IN HONG KONG

The industry revenue of the construction machinery rental service industry, which has increased steadily from 2011 to 2015 owing to strong demand from infrastructure construction works, is expected to rise over HK\$6,068 million in 2020 .



The revenue of construction machinery rental service industry in Hong Kong rose at a CAGR of about 15.2% from approximately HK\$2,572.2 million in 2011 to about HK\$4,525.1 million in 2015. The continuous increase in revenue during these five years was a result of the strong demand from the construction works industry, primarily owing to the commencement of large public projects and inflation.

The revenue of construction machinery rental service industry in Hong Kong is expected to increase at a CAGR of 6.1% from about HK\$4,784.2 million in 2016 to about HK\$6,068.2 million in 2019. From 2016 to 2020, investment in public infrastructure is expected to continue. Consequently, the revenue of construction machinery rental service industry is likely to continue its growth. Yet, given the recent filibuster in Hong Kong Legislative Council, the public investment in infrastructure has slowed down and that may in turn slow down the growth of the construction machinery rental services industry. Nevertheless, as the Government is expected to continue its investment on infrastructure and public housing in the long run, the construction machinery rental service industry in Hong Kong is likely to grow moderately.

NUMBER OF CONSTRUCTION MACHINERY AND VEHICLE OPERATORS IN HONG KONG

From 2011 to 2015, the number of licensed construction machinery and vehicle operators registered under the Construction Workers Registration Board of the Construction Industry Council increased from 22,951 to 27,408, representing a CAGR of approximately 4.5%.

The number of plant and equipment operators for excavators reached 6,388 in 2015, contributing about 23.3% to the total number of licensed construction machinery and vehicle operators in Hong Kong.

INDUSTRY OVERVIEW

AVERAGE RENTAL PRICE FOR CONSTRUCTION MACHINERY IN HONG KONG

The rental price of construction machinery can be provided on a daily basis, weekly basis and monthly basis. The rental price of construction machinery varies significantly across different types of machine, different models, different capacities and different functions.

For rental of construction machineries, it is a common industry practice to use work bills to calculate the amount of time for which the rented machines were operated at construction sites.

In general, the rental rate of construction machinery will depend on the following factors: size and location of the construction projects, length of construction projects, operator and transportation charge, brands of construction machines, models of construction machines, and number of construction machines required.

Over the past five years, the rental price of construction machinery increased moderately. On average, the rental price has increased approximately 3% to 6% annually from 2011 to 2015.

COMPETITIVE LANDSCAPE OF THE CONSTRUCTION MACHINERY RENTAL SERVICE INDUSTRY IN HONG KONG

Competition

The construction machinery rental service industry in Hong Kong is fairly consolidated, with approximately 60 providers as of April 2016. In this industry, it is fairly common for construction machinery and vehicles rental service providers to enter into rental agreements with each other. Generally, it is an industry norm that more sizable construction machinery rental service providers are in a better position to negotiate on credit terms when dealing with other parties.

With over 30 years of development in Hong Kong, the construction machinery rental service industry has entered its mature stage, with the service providers now offering value-added services as well, such as machinery recommendation, after-sale services, and the provision of experienced workers to operate the machinery, to capture potential customers.

Top Five Construction Machinery Rental Service Providers in Hong Kong

The top five construction machinery rental service providers accounted for an estimated HK\$969.1 million or 21.5% of the total revenue of the construction machinery rental service industry in 2015. Our Group ranked 2nd in the construction machinery rental industry in 2015.

INDUSTRY OVERVIEW

Top five construction machinery rental service providers in Hong Kong in 2015

Rank	Name of company	Headquarter location	Revenue in 2015 (HK\$ million)	Share of total industry revenue (%)	Major machinery for rental
1	Competitor F	Hong Kong	237.3	5.2%	Crawler crane, mobile crane, pile driver and aerial platform
2	Our Group	Hong Kong	210.3	4.6%	Excavators, bulldozer, loaders, compactors and construction-used vehicles
3	Competitor G	Singapore	185.1	4.1%	Crawler crane, mobile crane and tower crane
4	Competitor H	Hong Kong	174.7	3.9%	Crawler cranes, mobile cranes, telescopic crawler crane, vibrator, casing oscillator
5	Competitor I	Hong Kong	161.7	3.6%	Diesel generators, air compressor, diesel welder, articulated boom lift
	Others		3,564.0	78.6%	
	Total		4,525.1	100%	

FACTORS OF COMPETITION IN HONG KONG'S CONSTRUCTION MACHINERY RENTAL SERVICE INDUSTRY

Competitive rental fee

With rising costs in the construction industry, in particular the labor cost, competitive rental fee of construction machinery has been an important factor for the service providers to establish a foothold in the construction machinery rental service industry in Hong Kong.

INDUSTRY OVERVIEW

Quality of the construction machinery

In Hong Kong's construction industry, any project delays may cause claim – the longer the project delay, the larger the claim. The quality of the construction machinery rented from the construction machinery rental service providers may have significant impact on the project schedule. If the construction machinery is frequently out of order, it takes time get repaired, leading to project delays. More seriously, inferior quality of the construction machinery may cause accidents at construction sites. Therefore, customers including the government, developers, main contractors, and subcontractors tend to cooperate with construction machinery rental service providers who can offer quality construction machinery.

Value-added services offered

Apart from rental services, the service providers offer other related services, such as machine recommendation. At this stage, the service providers may recommend the number, the types, and even the models of construction machinery to be used for a particular construction project. Also, value-added after-sales services such as annual check for the machinery, provision of machine operators, repair and maintenance of construction machinery, become important criteria for the customers to select the construction machinery rental service providers.

Reputation

The construction machinery rental service providers with good reputation and long operating history are believed to be more competitive in the industry. A good reputation allows the construction machinery rental service providers to be more visible in the market, and thus increases the chances of being approached and trusted by potential customers. Moreover, apart from the types of machinery and services offered, a good reputation is a key indicator of the quality of services and thus a parameter for customers to consider.

MARKET GROWTH DRIVERS OF THE CONSTRUCTION MACHINERY RENTAL SERVICE INDUSTRY IN HONG KONG

Favorable government policies

The government policies are conducive to the growth of construction machinery market. With regard to public infrastructure, the “Ten Major Infrastructure Projects” plans, and the extension of MTR railways will continue to drive the market as more machinery will be required to fulfill the huge construction demand. Moreover, concerning residential properties, in order to cool down the overheated property market and cope with the increasing population, the Government has committed to providing more public housing in the near future. Supportive government policies will lead to a higher number of construction projects, and thereby boost demand for construction machinery rental services in Hong Kong.

INDUSTRY OVERVIEW

Persistent demand for residential and commercial buildings

The demand for residential buildings will remain strong due to the limited supply of flats. Moreover, according to the Census and statistics Department, the population and the number of domestic households have been increasing, and the average annual growth rate over the 10-year period from 2011-2021 is projected to be 0.8%. Therefore, the gap between supply and demand for residential buildings is yet to be filled. Additionally, demand for commercial buildings is also expected to rise. An increasing number of companies have been attracted to set up offices and operate business in Hong Kong, and this trend will continue as long as Hong Kong maintains its competitive advantages. The rising demand for both residential and commercial buildings over the years will fuel the demand for construction projects and thus give a boost to the construction machinery rental service industry.

ENTRY BARRIERS TO THE CONSTRUCTION MACHINERY RENTAL SERVICE INDUSTRY IN HONG KONG

Insufficient industry expertise

New entrants lack relevant expertise in the construction machinery rental service industry. For instance, they would require substantial time investment to understand the differences between various models or types of construction machinery in terms of their functionalities, specifications, and applications to different construction sectors. It is difficult to gather relevant information and acquire knowledge in these areas unless through experience. It takes time for new entrants to become knowledgeable and reputable in introducing or sourcing suitable machinery to their customers.

Significant initial capital investment

Substantial start-up costs are the prerequisite of operating construction machinery rental service industry, as the costs of purchasing machinery are high, ranging from hundreds to thousands millions Hong Kong dollars, depending on the types, capabilities, and conditions. Furthermore, customers favor companies with more choices, and renting most of the machinery needed, if not all from one single company. Therefore, a substantial amount of capital is pivotal to importing even few different types of machinery for business operations. Moreover, due to their large size and volume, sufficiently large space is required for storage purpose.

Well-established relationships between existing Construction Machinery Rental service providers and customers such as contractors and developers

Given a homogenous product nature, the factors in choosing construction machinery rental service include reputation, previous course of cooperation and relationship. Moreover, potential customers usually have their own lists of suppliers, including construction machinery rental service providers. Therefore, new entrants may find it difficult to attract contractors to rent equipment from them and capture a share from the reputed existing companies.

INDUSTRY OVERVIEW

THREATS FOR THE CONSTRUCTION MACHINERY RENTAL SERVICE INDUSTRY IN HONG KONG

Insufficient supply of construction machinery

A major proportion of imported machinery comes from Japan. Given that the capacity to produce machinery could not be raised to match the strong demand, construction machinery which could be originally exported to Hong Kong and other countries has to be stayed in Japan to cater the local projects. Consequently, the decline in supply of construction machinery exported to Hong Kong push importing price higher, leading to an increase in cost and posing a threat to the construction machinery rental service providers.

Competition from China

Chinese construction machinery brands and manufacturers have started to enter the Hong Kong market in recent decade. Some of them approach the customers directly, including the main contractors and subcontractors. They allow their potential customers to rent the construction machinery first, and make a purchase after testing them. These Chinese brand construction machinery are priced comparatively lower than their local counterparts. These low-priced machinery will be able to attract potential customers if the quality is sufficient to cater their needs. A lower purchase price may prompt the customers to shift from renting to purchasing the construction machinery, provided they get to try it out during the rental period.

Delays to government projects due to funding issues as well as other challenges may threaten the stability of business in the construction machinery rental service industry

Delays to public projects can be caused by delays to funding approvals due to political issues in the Legislative Council. In addition to delays in funding disbursement, government projects have encountered other challenges. These challenges can include environmental considerations, problems integrating with other infrastructure projects, and the occurrence of industrial accidents. Public projects are a major contributor to the revenue of the overall construction industry, and thus delays to public projects may have a knock on impact on the demand for the services of the construction machinery rental service industry.

LAWS AND REGULATIONS

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

A. LABOUR, HEALTH AND SAFETY

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

The Construction Workers Registration Ordinance provides for the registration of construction worker and related matters.

According to section 3 of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. A person who contravenes section 3 commits an offence and is liable on conviction to a fine at level 3 (currently at HK\$10,000). The establishment of Construction Industry Council under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) is responsible for the registration of construction workers.

Further, section 5 of the Construction Workers Registration Ordinance provides that no person shall employ unregistered construction workers to carry out on construction sites construction work. A person who contravenes section 5 commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).

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

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:

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

LAWS AND REGULATIONS

- providing and maintaining a safe and healthy work environment.

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.

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

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

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:

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

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

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

LAWS AND REGULATIONS

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

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

According to section 15(1A) of the Employees' Compensation Ordinance, employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident.

According to section 24 of the Employees' Compensation Ordinance, a main contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The main contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee independently of this section. The employees in question are required to serve a notice in writing on the main contractor before making any claim or application against such main contractor.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$100 million per event (where the number of employees in relation to who the policy is in force does not exceed 200) and no less than HK\$200 million per event (where the number of employees in relation to whom the policy is in force exceeds 200) to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years and on a summary conviction to a fine of HK\$100,000 and to imprisonment for one year.

LAWS AND REGULATIONS

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “**Employment Ordinance**”)

A main contractor is subject to the provisions on subcontractor’s employees’ wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the main contractor and/or every superior subcontractor jointly and severally. A main contractor’s (and/or, where applicable, superior subcontractor’s) liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

Pursuant to section 43D of the Employment Ordinance, an employee who has outstanding wage payments from subcontractor must serve a notice in writing on the main contractor within 60 days after the wage due date. A main contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the main contractor. Upon receipt of such notice from the relevant employee, a main contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A main contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

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

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

Under the Mandatory Provident Fund Schemes Ordinance, 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 Mandatory Provident Fund (“MPF”) scheme within the first 60 days of employment.

LAWS AND REGULATIONS

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

Industry Scheme

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

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

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

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

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

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.

LAWS AND REGULATIONS

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

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) (the “**Immigration Ordinance**”)

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

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

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

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

B. ENVIRONMENTAL PROTECTION

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

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including but not limited to the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide

LAWS AND REGULATIONS

experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

NRMM Regulation

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of NRMMs, including non-road vehicles and Regulated Machines.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all Regulated Machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the EPD pursuant to section 4 of the NRMM Regulation. Under section 5 of the NRMM Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the NRMM Regulation.

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

Pursuant to the Technical Circular, there is an implementation plan to phase out the use of four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) (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 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 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 1 June 2015, 1 June 2017 and 1 June 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

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

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, construction works at place within a designated area specified in the Noise Control Ordinance and the use of powered mechanical equipment for the purpose of carrying out any construction work other than percussive piling at any place are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. Certain equipment is also subject to restrictions e.g. hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority.

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

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

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

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

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

LAWS AND REGULATIONS

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

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system by the persons who is planning such designated project prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted.

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

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

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

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

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

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

LAWS AND REGULATIONS

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

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

C. CONTRACTOR LICENSING REGIME

Contractor Licensing Regime

Under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the “**Buildings Ordinance**”), there are three contractors’ registers, namely the general building contractors’ register, the specialist contractors’ register and the minor works contractors’ register, being kept by the Building Authority.

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

Private Sector Construction Projects

Private sector foundation projects cover projects commissioned by individuals, privately owned property development companies and commercial enterprises. In order to undertake private sector foundation and site formation works, a contractor must be registered with the Buildings Department as a registered specialist contractor under the categories of foundation works and site formation works. As long as the main contractors hold all the required registrations in private projects, the subcontractors are not required to hold the same registrations as that of the main contractors in private projects. The registration requirements mentioned above are the basic requirements for undertaking private sector foundation and site formation construction projects. Other additional requirements may be imposed by the developers, main contractors, or other entities, as the case may be.

Public Sector Construction Projects

For public sector projects, contractors responsible for the foundation and site formation works are required to be listed under the Works Branch of the Development Bureau, and with the Buildings Department as registered specialist contractors under the appropriate categories. As long as the main contractors hold all the required registrations in public project, the subcontractors are not required to hold the same registrations as the main contractors in public projects.

LAWS AND REGULATIONS

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

However, in order for a subcontractor to participate in public projects commissioned by certain Government departments and statutory bodies, including the Airport Authority, Development Bureau and the Housing Authority, a subcontractor will need to be registered on the Subcontractor Registration Scheme at the Construction Industry Council.

Subcontractor Registration Scheme

Subcontractors, which are involved in, among others, foundation works and ancillary services, in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

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

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

After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage 2 of the VSRS in January 2013. VSRS was also then renamed Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

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

LAWS AND REGULATIONS

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

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

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

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

LAWS AND REGULATIONS

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

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

1. supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
2. failure to give timely notification of changes to the registration particulars;
3. serious violations of the registration rules and procedures;
4. convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
5. convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
6. wilful misconducts that may bring the Subcontractor Registration Scheme into serious disrepute;
7. civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
8. convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:
 - i. loss of life; or
 - ii. serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;
9. conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the registered subcontractor at each of a construction site under a contract;
10. convictions for employment of illegal worker under the Immigration Ordinance; or
11. late payment of workers’ wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over 10 days with solid proof of such late payment of wages and/or contribution.

LAWS AND REGULATIONS

The Management Committee may instigate regulatory actions by directing that:

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

D. BUSINESS OPERATION

Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) (the “Lifting Appliances and Lifting Gear Regulations”)

Safety of lifting appliances used at construction sites is mainly regulated by the Lifting Appliances and Lifting Gear Regulations administered by the Labour Department.

The Lifting Appliances and Lifting Gear Regulations lay down requirements with respect to the construction, inspection, testing, thorough examination, operation, erection, dismantling and alteration of lifting appliances, including cranes. For instance, the Lifting Appliances and Lifting Gear Regulations specifically require the owner, among other matters, to ensure that all lifting appliances shall be of good mechanical construction, made of strong and sound materials, free from patent defect and properly maintained, and that the arrangements for fixing and anchoring the appliance are adequate to secure its safety. The owner of a crane shall ensure that it is not erected, dismantled or altered except under the supervision of a competent person.

Pursuant to the Lifting Appliances and Lifting Gear Regulations, before a lifting appliance is used at or moved in an industrial undertaking, the owner of the appliance shall take appropriate precautions to ensure its stability. The owner of a crane shall ensure that the crane can only be operated by a person who (i) has attained the age of 18 years; (ii) holds a valid certificate issued by the Construction Industry Council or any other person specified by the Commissioner for Labour; and (iii) in the opinion of the owner, is competent to operate the crane by virtue of his experience.

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

Any contraventions by the owners of any crane or lifting appliance of the Lifting Appliances and Lifting Gear Regulations will attract penalties from a fine of HK\$200,000 to a fine of HK\$200,000 and 12 months imprisonment.

LAWS AND REGULATIONS

Code of Practice for Safe Use of Excavators and Mobile Cranes (the “Codes”)

The Codes are prepared by the Occupational Safety and Health Branch of the Labour Department. It is approved and issued by the Commissioner for Labour under section 7A of the Factories and Industrial Undertakings Ordinance to complement the legislative framework at an operational level. It provides a practical guidance to the industry as to how to use excavators and mobile cranes safely and properly with a view to assisting the duty holders in preventing accidents.

The Codes provide guidance on the safe use and operation of excavators and mobile cranes to ensure safety of personnel working at or near by those excavators/cranes. The Code for excavator provides practical guidance on the safe use and operation of excavators for excavating and earth moving operations on construction site. The Code for mobile crane covers management and planning of lifting operation of mobile cranes, requirements for operations, slingers and signallers, siting, erection, dismantling, maintenance and testing of mobile cranes. It also contains guidance pertaining to the selection, safe use and specific precautions when mobile cranes are operating within a workplace.

Although failure to observe any guidance contained in the Code is not in itself an offence, that failure may be taken by a court in criminal proceedings as a relevant factor in determining whether or not a person has breached any of the provisions of the regulations to which the guidance relates.

Factories and Industrial Undertakings (Loadshifting Machinery) Regulations (Chapter 59AG of the Laws of Hong Kong) (the “Loadshifting Machinery Regulations”)

According to section 3 of the Loadshifting Machinery Regulations, the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who (i) has attained the age of 18 years; and (ii) holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs.

According to section 4 of the Loadshifting Machinery Regulations, the responsible person of a loadshifting machine shall ensure the provision to each of his employees who is instructed (whether directly or indirectly) by him to operate a loadshifting machine of a training course conducted for the type of loadshifting machine to which that machine belongs, unless the relevant employee already holds a valid applicable certificate.

A responsible person who without reasonable excuse contravenes section 3 or section 5 commits an offence and is liable to a fine at level 5 (currently at HK\$50,000).

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

The Competition Ordinance, which was entered into force on 14 December 2015 (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong; (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matters.

LAWS AND REGULATIONS

The Competition Ordinance includes the First Conduct Rule which provides that an undertaking shall not make or give effect to an agreement, engage in a concerted practice, or, as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong, and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power and provides that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction, or distortion of competition in Hong Kong.

The Competition Tribunal may impose pecuniary penalty, director disqualifications, and prohibition, damage and other orders. Pursuant to section 93 of the Competition Ordinance, the Competition Tribunal may award a penalty of up to 10% of the turnover of the undertakings concerned for up to three years in which the contravention occurs.

Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) (the “**Road Traffic Ordinance**”)

The usage, licensing and maintenance of crane trucks, lorries and other vehicles are mainly regulated by the Road Traffic Ordinance and its subsidiary regulations and the Road Traffic Ordinance also provides regulations of road traffic and the use of vehicles and roads (including private roads).

According to section 42 of the Road Traffic Ordinance, no person shall drive a motor vehicle or no person shall permit a motor vehicle to be driven by a person on a road unless the driver is a holder of a driving license in respect of a vehicle of the class of vehicle which he is driving, except as otherwise provided by the Road Traffic Ordinance. Any person who contravenes this section commits an offence and is liable, in the case of first conviction to a fine of HK\$5,000 and to imprisonment for three months, and in the case of a second or subsequent conviction to a fine of HK\$10,000 and to imprisonment for six months.

There are 23 subsidiary regulations under the Road Traffic Ordinance including:

1. Road Traffic (Construction and Maintenance of Vehicles) Regulations (Chapter 374A of the Laws of Hong Kong) (the “**Road Traffic (Construction and Maintenance of Vehicles) Regulations**”);
2. Road Traffic (Registration and Licensing of Vehicles) Regulations (Chapter 374E of the Laws of Hong Kong) (the “**Road Traffic (Registration and Licensing of Vehicles) Regulations**”);
3. Road Traffic (Traffic Control) Regulations (Chapter 374G of the Laws of Hong Kong) (the “**Road Traffic (Traffic Control) Regulations**”); and
4. Road Traffic (Traffic Control) (Designation of Prohibited and Restricted Zones) Notice (Chapter 374U of the Laws of Hong Kong) (the “**Road Traffic (Traffic Control) (Designation of Prohibited and Restricted Zones) Notice**”).

LAWS AND REGULATIONS

Road Traffic (Construction and Maintenance of Vehicles) Regulations

According to regulation 7 of the Road Traffic (Construction and Maintenance of Vehicles) Regulations, the permitted gross vehicle weight of a goods vehicle or special purpose vehicle shall be that assigned or deemed to have been assigned to the vehicle under the Road Traffic (Registration and Licensing of Vehicles) Regulations and the Commissioner of Transport (the “**Commissioner**”) may by permit in writing, subject to such terms and conditions as may be specified in the permit, authorize the use of a vehicle exceeding its maximum gross vehicle weight or maximum gross combined weight, as the case may be, specified in relation to that class or type of vehicle in column 3 of Part II, III or IV of the Second Schedule in the Road Traffic (Construction and Maintenance of Vehicles) Regulations.

According to regulation 35 of the Road Traffic (Construction and Maintenance of Vehicles) Regulations, every goods vehicle or special purpose vehicle shall be equipped with (a) mudguards at all wheels; and (b) mudflaps behind the rearmost wheels, which shall be of specifications approved by the Commissioner as being reasonably necessary to ensure that, so far as is reasonably practicable, mud or water thrown up by the rotation of the wheels is caught unless the vehicle itself affords adequate protection to catch, so far as is reasonably practicable, mud or water thrown up by the rotation of the wheels.

According to regulation 39 of the Road Traffic (Construction and Maintenance of Vehicles) Regulations, every goods vehicle and special purpose vehicle shall be equipped with at least two mirrors one of which shall be fitted externally on the off side of the vehicle and the other either internally or on the near side externally and the mirrors shall be so constructed and fitted to the vehicle as to assist the driver, if he so desires, to become aware of traffic to the rear and on both sides rearwards.

According to regulation 79 of the Road Traffic (Construction and Maintenance of Vehicles) Regulations, the owner of every goods vehicle and special purpose vehicle shall cause the permitted gross vehicle weight as shown in the registration document in respect of such vehicle and the maximum permitted axle weight to be painted or otherwise plainly marked upon some conspicuous place on both sides of the vehicle unless a valid vehicle license, issued in respect of the vehicle, containing (a) the permitted gross vehicle weight; and (b) the maximum permitted axel weight, of the vehicle is displayed on such vehicle. Such markings shall be in English and in Chinese characters and shall be inscribed in white on a black surface in letters, characters and figures not less than 25 millimetres in height and shall at all times be kept clean and unobscured by the owner.

According to regulation 80 of the Road Traffic (Construction and Maintenance of Vehicles) Regulations, on every goods vehicle and special purpose vehicle the exhaust pipe shall be so fitted or shielded, and maintained that (a) no inflammable material can be thrown upon it from any other part of the vehicle; (b) it is not likely to cause a fire through proximity to any inflammable material in the vehicle or being carried on the vehicle; and (c) the exhaust outlet is not directed to the near side of the vehicle.

According to regulation 81 of the Road Traffic (Construction and Maintenance of Vehicles) Regulations, where the driving cab of a goods vehicle or special purpose vehicle is specifically designed to carry passengers, seating accommodation for the carriage of not more than 5 passengers may be installed in a manner approved by the Commissioner.

LAWS AND REGULATIONS

Any person who uses or causes or permits to be used on any road any vehicle which does not comply in all respects with the provisions of the Road Traffic (Construction and Maintenance of Vehicles) Regulations commits an offence and is liable to a fine of \$10,000 and to imprisonment for 6 months.

The Road Traffic (Registration and Licensing of Vehicles) Regulations

According to regulation 5 of the Road Traffic (Registration and Licensing of Vehicles) Regulations, any person who wishes to have registered within any class specified in Schedule 1 to the Road Traffic Ordinance a motor vehicle of which he is the owner, shall deliver to the Commissioner an application for registration in a form specified by the Commissioner together with such documents as may be specified in the application form relating to the owner and the vehicle required for the purposes of regulation 4 and the Motor Vehicles (First Registration Tax) Ordinance (Cap. 330), and shall pay to the Commissioner of Transport the registration fee prescribed in Schedule 2 of the Road Traffic (Registration and Licensing of Vehicles) Regulations.

According to regulation 6 of the Road Traffic (Registration and Licensing of Vehicles) Regulations, on registering a goods vehicle (other than a trailer) or special purpose vehicle, the Commissioner shall assign to the vehicle a permitted gross vehicle weight which shall be such weight as he shall determine after considering (a) the particulars contained in the application for registration submitted in respect of the vehicle; (b) any information available from the manufacturer of the vehicle; and (c) any regulations made under the Ordinance.

According to regulation 21 of the Road Traffic (Registration and Licensing of Vehicles) Regulations, any person who wishes to have licensed a motor vehicle which is registered within any class specified in Schedule 1 to the Road Traffic Ordinance and of which he is the registered owner shall:

- (a) deliver to the Commissioner an application for such license in a form specified by the Commissioner which shall be accompanied by:
 - (i) the registration document relating to the vehicle;
 - (ii) a policy of insurance in respect of the vehicle in the name of the registered owner which is valid on the date when the license is to become operative; and
 - (iii) his identity document; and
- (b) subject to subregulations 3, 7 and 9 of the same regulation and regulation 23 of the Road Traffic (Registration and Licensing of Vehicles) Regulations, pay to the Commissioner the prescribed license fee.

Regulations 37 to 39 of the Road Traffic (Registration and Licensing of Vehicles) Regulations govern the registration and licensing of trailers.

LAWS AND REGULATIONS

According to regulation 54 of the Road Traffic (Registration and Licensing of Vehicles) Regulations, the Commissioner may, on an application in a form specified by him and on receipt of the long load permit fee or wide load permit fee prescribed in Schedule 2 therein, issue a long load permit or wide load permit subject to such terms and conditions, and valid for such period, as he thinks fit authorizing a goods vehicle to be driven with a load projecting to the front or the rear, or to either side beyond the body of the vehicle, as the case may be. Any person who without reasonable excuse contravenes any condition imposed under such regulation commits an offence and is liable on conviction to a fine at level 1 (currently at HK\$2,000).

Road Traffic (Traffic Control) Regulations

According to regulation 14 of the Road Traffic (Traffic Control) Regulations, the Commissioner may, by notice in the Gazette, designate any area as a prohibited zone or a restricted zone and such designation may, absolutely, on specified days, during specified hours in any day, or during specified hours in any specified days, prohibit the driving of any motor vehicle or any specified class or description of motor vehicle on any road within the prohibited zone or, in the case of restricted zone, prohibit the driver of any motor vehicle or any specified class or description of motor vehicle from picking up or setting down passengers or loading or unloading goods on any road within the restricted zone.

No person shall drive any motor vehicle or any motor vehicle of the type or class specified in a designation under regulation 14 in the prohibited zone (a) if the driving of such a motor vehicle in the prohibited zone is absolutely prohibited; or (b) at a time when the driving of such a motor vehicle in the prohibited zone is prohibited.

No driver of any motor vehicle or any motor vehicle of the type or class specified in a designation under regulation 14 shall load or unload goods (a) in the restricted zone if the driver of such a motor vehicle is prohibited absolutely from loading or unloading goods in the restricted zone; or (b) at a time when the driver of such a motor vehicle is prohibited from loading or unloading goods in the restricted zone.

Any person who without reasonable excuse contravenes regulation 14 commits an offence and is liable to a fine of \$2,000. The above restrictions under regulation 14 shall not apply when a vehicle in respect of which a prohibited zone permit or restricted zone permit for the prohibited zone or restricted zone, as the case may be, is issued and is valid in accordance with the Road Traffic (Registration and Licensing of Vehicles) Regulations.

The Commissioner may cause to be erected and maintained at or near the points of entry to or departure from prohibited or restricted zones prescribed traffic signs to indicate the beginning or the end of such zones. Any person who without reasonable excuse contravenes such traffic signs commits an offence and is liable on first conviction to a fine of \$5,000 and imprisonment for three months and on second or subsequent conviction to a fine of \$10,000 and imprisonment for six months.

LAWS AND REGULATIONS

According to regulation 54 of the Road Traffic (Traffic Control) Regulations, no person shall drive or use, or cause or permit to be driven or used, on a road a goods vehicle or special purpose vehicle that is so loaded that its gross vehicle weight exceeds the permitted gross vehicle weight assigned or deemed to have been assigned to the vehicle under the Road Traffic (Registration and Licensing of Vehicles) Regulations.

The owner of the vehicle who contravenes regulation 54 commits an offence and is liable on first conviction to a fine of \$5,000 and on second or subsequent conviction to a fine of \$10,000.

Road Traffic (Traffic Control) (Designation of Prohibited and Restricted Zones) Notice

Except for the designation of prohibited zones and restricted zones specified by the Commissioner under regulation 14 of the Road Traffic (Traffic Control) Regulations, the Road Traffic (Traffic Control) (Designation of Prohibited and Restricted Zones) Notice specifies the prohibited zones and restricted zones in which (a) the driving of the motor vehicles specified therein in certain areas (except a vehicle in respect of which a prohibited zone permit is in force) is prohibited absolutely; and (b) the driver of any motor vehicle specified therein in certain areas (except the driver of a motor vehicle in respect of which a restricted zone permit is in force) is prohibited absolutely from picking up or setting down passengers or loading or unloading goods. The Road Traffic (Traffic Control) (Designation of Prohibited and Restricted Zones) Notice also specifies that in certain areas designated as a restricted zone, the driver of any motor vehicle specified therein (except the driver of a motor vehicle in respect of which a restricted zone permit is in force) is prohibited absolutely from doing any act specifically provided therein.

Compliance with the relevant requirements

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

OUR CORPORATE HISTORY

BUSINESS HISTORY

Mr. Wu founded our Group with the establishment of LYCC in 2003 for the provision of construction machinery rental service in Hong Kong. Prior to setting up our Group, Mr. Wu had been working in the construction industry as a backhoe operator since 1996, during which he accumulated relevant experience in the construction industry and developed his network with various suppliers of construction machinery and subcontractors of different specialty in construction works in Hong Kong. Identifying the business potentials and market demand of construction machinery, Mr. Wu established Luen Yau Construction in 2007 and Luen Yau Company, a sole proprietorship in 2010 for among others, his construction machinery rental business, and as confirmed by Mr. Wu, he gradually transferred his business from LYCC to Luen Yau Construction. He subsequently ceased his ownership in LYCC in October 2010 to transfer a cross-boundary vehicle licence held by LYCC to an Independent Third Party and as confirmed by Mr. Wu, Luen Yau Company inherited the remaining construction machinery rental business of LYCC. Upon the development of the construction machinery rental business, Mr. Wu considered that our Group was equipped with the capacity to undertake construction works in terms of the number of construction machinery owned and the ability to source machine operators. In 2010, our Group began to provide construction works services for various main contractors and subcontractors in Hong Kong. Our Directors believe that the expansion into the construction works business has created a synergy effect whereby our Group increased the demand for the utilisation of its construction machinery and the drive to expand its machinery portfolio in response to the growing number of various construction projects undertaken.

Since our Group's inception, Mr. Wu strived to provide quality services in the construction industry using his personal expertise in the field to capture the changing trend of the industry with his intuition, knowledge and experience. We had a portfolio of construction projects which would enable us to make use of the construction machinery we purchased and increase the chance of retaining the machine operators we sourced. In 2009, Luen Yau Construction was registered under the Subcontractor Registration Scheme (formerly known as the Voluntary Subcontractor Registration Scheme) of the Construction Industry Council which marked its recognition in the construction works field. In 2015, our Group further obtained various ISO and OHSAS certifications for its operation. Through our continuous efforts, our Directors consider that our Group has successfully established a good reputation within the industry with our major customers, most of which are well-established construction main contractors in Hong Kong, and gained project exposures on some of the Ten Major Infrastructure Projects in Hong Kong.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

The following are the major developments and milestones of our Group to date:

- | | |
|------|--|
| 2003 | Establishment of LYCC which marked the commencement of our Group's construction machinery rental service |
| 2007 | Incorporation of Luen Yau Construction |
| 2009 | Luen Yau Construction was registered under the Subcontractor Registration Scheme (formerly known as the Voluntary Subcontractor Registration Scheme) of the Construction Industry Council |
| 2010 | Establishment of Luen Yau Company

Award of a construction project involving earthwork and underground drainage work, and underground utilities works with a total contract sum of approximately HK\$143 million |
| 2012 | Award of a construction project involving earthworks and temporary lateral support works with a contract sum of approximately HK\$88 million |
| 2013 | Incorporation of Luen Yau Machinery |
| 2014 | Grant of "Best Safety Subcontractor Award" (最佳安全分判商嘉許獎狀) by one of our customers

Grant of "Best Sub-contractor in Safety Performance Award" by one of our customers |
| 2015 | Grant of ISO 14001:2004 certification of environmental management system by Accredited Certification International Limited (<i>Note</i>)

Grant of ISO 9001:2008 certification of quality management system by Accredited Certification International Limited (<i>Note</i>)

Grant of OHSAS 18001:2007 certification of OHS management system by Accredited Certification International Limited (<i>Note</i>)

Grant of certificate recognising our outstanding performance in safety by one of our customers

Incorporation of Luen Yau Management (BVI)

Incorporation of Luen Yau Management (HK) |

Note: The scope covers provision of civil engineering works (roads and drainage, site formation) and provision of plant rental.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

CORPORATE HISTORY

As at the Latest Practicable Date, our Group comprised our Company, Luen Yau Holdings, Luen Yau Construction, Neotime Global, Lufa Global, Luen Yau Machinery, Luen Yau Management (HK) and Luen Yau Management (BVI).

Set out below are the particulars of all our subsidiaries as at the Latest Practicable Date:

Name of subsidiaries	Principal business activities	Date of incorporation and date of commencement of business <i>(if applicable)</i>	Interest attributable to our Group
Neotime Global	Investment holding	5 January 2016	100%
Lufa Global	Investment holding	1 February 2016	100%
Luen Yau Holdings	Investment holding	19 November 2015	100%
Luen Yau Construction	Provision of construction works and machinery rental services	24 December 2007	100%
Luen Yau Machinery	Provision of construction machinery rental services	8 March 2013	100%
Luen Yau Management (HK)	Provision of management and administrative services	20 November 2015	100%
Luen Yau Management (BVI)	Provision of management and administrative services	23 November 2015	100%

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

The following is a brief corporate history of the establishment and major changes in the shareholdings of our Company and our subsidiaries:

OUR COMPANY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 21 April 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One subscriber Share was allotted and issued fully-paid to the initial subscriber, an Independent Third Party on the date of incorporation. On the same day, such subscriber Share was transferred to Profit Gold. Immediately after the aforesaid transfer of Share, the entire issued share capital of our Company was owned and fully paid by Profit Gold.

Profit Gold, the holding vehicle of Mr. Wu, was incorporated on 18 February 2016 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. One fully paid ordinary share, representing the entire issued share capital of Profit Gold, was issued and allotted to Mr. Wu on 12 April 2016. As at the Latest Practicable Date, Profit Gold was wholly owned by Mr. Wu.

For details of changes in the share capital of our Company, please refer to the section headed “Statutory and General Information – A. Further Information about our Company – 2. Changes in share capital of our Company” in Appendix IV to this prospectus.

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

OUR SUBSIDIARIES

Neotime Global

Neotime Global, an intermediate holding company of our Group, was incorporated on 5 January 2016 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued to our Company on 28 April 2016. After the aforesaid allotment and issue of share, the entire issued share capital of Neotime Global was owned by our Company.

On 13 May 2016, Neotime Global acquired the entire issued share capital of Luen Yau Machinery from Mr. Wu, further details of which are set out in the section headed “Luen Yau Machinery” below.

Lufa Global

Lufa Global, an intermediate holding company of our Group, was incorporated on 1 February 2016 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued to our Company on 28 April 2016. After the aforesaid allotment and issue of share, the entire issued share capital of Lufa Global was owned by our Company.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

On 13 May 2016, Lufa Global acquired the entire issued share capital of Luen Yau Construction from Mr. Wu, further details of which are set out in the section headed “Luen Yau Construction” below.

Luen Yau Holdings

Luen Yau Holdings was incorporated on 19 November 2015 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of incorporation, 100 shares were issued and allotted to Mr. Wu. Immediately upon the issue and allotment of shares, Luen Yau Holdings became wholly owned by Mr. Wu.

Pursuant to the sale and purchase agreement dated 13 May 2016 entered into between our Company (as purchaser) and Mr. Wu (as vendor and warrantor), our Company acquired 100 shares of Luen Yau Holdings, representing its entire issued share capital, from Mr. Wu and in consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu. Immediately after the aforesaid share transfer, Luen Yau Holdings became a wholly-owned subsidiary of our Company, and in turn, each of Luen Yau Management (HK) and Luen Yau Management (BVI) became an indirect wholly-owned subsidiary of our Company. Further details of which are set out in the sections headed “Luen Yau Management (HK)” and “Luen Yau Management (BVI)” below.

Luen Yau Construction

Luen Yau Construction is our operating subsidiary which principally provides construction works and construction machinery rental services since its incorporation. Luen Yau Construction was incorporated in Hong Kong as a private company limited by shares on 24 December 2007. On incorporation, one share was allotted and issued to Mr. Wu for a consideration of HK\$1.00. Immediately upon the issue and allotment of share, Luen Yau Construction became wholly owned by Mr. Wu.

Pursuant to the sale and purchase agreement dated 13 May 2016 entered into among Mr. Wu (as vendor and warrantor), Lufa Global (as purchaser) and our Company, Lufa Global acquired one share of Luen Yau Construction, representing the entire issued share capital of Luen Yau Construction, from Mr. Wu and in consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu. Immediately after the above acquisition of share, Luen Yau Construction became a wholly-owned subsidiary of Lufa Global.

Luen Yau Machinery

Luen Yau Machinery is our operating subsidiary which principally provides construction machinery rental services to our Group since its incorporation. Luen Yau Machinery was incorporated in Hong Kong as a private company limited by shares on 8 March 2013. On incorporation, one share was allotted and issued to Mr. Wu for a consideration of HK\$1.00. Immediately upon the issue and allotment of share, Luen Yau Machinery became wholly owned by Mr. Wu.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Pursuant to the sale and purchase agreement dated 13 May 2016 entered into among Mr. Wu (as vendor and warrantor), Neotime Global (as purchaser), Neotime Global acquired one share of Luen Yau Machinery, representing the entire issued share capital of Luen Yau Machinery, from Mr. Wu and in consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu. Immediately after the above acquisition of share, Luen Yau Machinery became a wholly-owned subsidiary of Neotime Global.

Luen Yau Management (HK)

Luen Yau Management (HK) is our operating subsidiary which principally provides management and administrative services to our Group since its incorporation. Luen Yau Management (HK) was incorporated in Hong Kong with limited liability on 20 November 2015. On the date of its incorporation, one share was issued and allotted to the initial subscriber, an Independent Third Party.

On 25 November 2015, the initial subscriber transferred its one share to Luen Yau Holdings at a consideration of HK\$1.00. Immediately after the aforesaid share transfer, Luen Yau Management (HK) became a direct wholly owned subsidiary of Luen Yau Holdings.

Pursuant to the sale and purchase agreement dated 13 May 2016, our Company acquired the entire issued capital of Luen Yau Holdings, the sole owner of Luen Yau Management (HK). As such, Luen Yau Management (HK) became an indirect wholly-owned subsidiary of our Company.

Luen Yau Management (BVI)

Luen Yau Management (BVI) is our operating subsidiary which principally provides management and administrative services to our Group since its incorporation. Luen Yau Management (BVI) was incorporated in the BVI with limited liability on 23 November 2015 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On the date of its incorporation, one share was issued and allotted to Luen Yau Holdings. Immediately after the aforesaid issue and allotment of shares, Luen Yau Management (BVI) became a direct wholly owned subsidiary of Luen Yau Holdings.

Pursuant to the sale and purchase agreement dated 13 May 2016, our Company acquired the entire issued capital of Luen Yau Holdings, the sole owner of Luen Yau Management (BVI). As such, Luen Yau Management (BVI) became an indirect wholly-owned subsidiary of our Company.

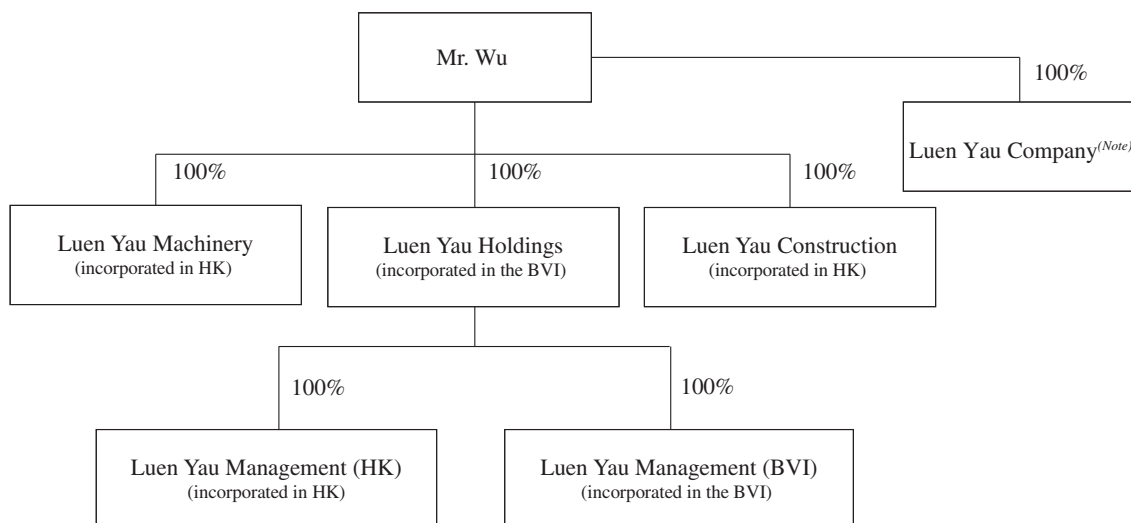
REORGANISATION

Our Company completed the Reorganisation on 13 May 2016 in preparation for the Listing, pursuant to which our Company became the ultimate holding company of our Group. Details of the Reorganisation are set out in the section headed “Statutory and General Information – A. Further Information about our Company – 4. Corporate reorganisation” in Appendix IV to this prospectus.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

OUR GROUP STRUCTURE

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



Note: Luen Yau Company was established by Mr. Wu as a sole proprietorship in 2010. Pursuant to the agreement between Luen Yau Company and Luen Yau Construction as confirmed in the confirmatory deed dated 28 April 2016, all rights, title and interests and assets in relation to the construction machinery rental business of Luen Yau Company were transferred to, and all liabilities in relation to the construction machinery rental business of Luen Yau Company were assumed by Luen Yau Construction on 1 April 2015 properly and legally.

The Reorganisation which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

(I) Transfer of business, assets and liabilities from Luen Yau Company to Luen Yau Construction

During the Track Record Period, Luen Yau Company (of which its construction machinery rental business was subsequently transferred to Luen Yau Construction), contributed approximately HK\$36.3 million and HK\$175.5 million to our revenue, and approximately HK\$3.3 million and HK\$24.3 million to our profit before tax for the year ended 31 March 2014 and 31 March 2015 respectively.

As part of the Reorganisation, Mr. Wu (as transferor and covenantor) trading as Luen Yau Company transferred, among other things, its construction machinery and vehicles rental business, which included all rights, title, interests and assets, which include construction machinery, account receivables, prepayment account, current account of Luen Yau Construction and Luen Yau Machinery, intellectual property and contracts in relation to the construction machinery rental business to Luen Yau Construction (as transferee) with effect from 1 April 2015. The transfer has been properly and legally completed and settled. In consideration thereof, Luen Yau Construction assumed the liabilities in relation to the construction machinery rental business of Luen Yau Company since then and agreed to pay approximately HK\$35,457,000 (determined based on the total liabilities of approximately

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

HK\$85,964,000 deducted from total assets of approximately HK\$121,421,000) to Mr. Wu. The consideration was settled through the amount due to the related company and reflected as contribution from controlling equity holder in respect of transfer of Construction Machinery Rental Business in the equity of our Group. After the transfer, so far as our Directors aware, Luen Yau Company remains engaged in subleasing of land in New Territories of Hong Kong and does not form part of our Group.

(II) Incorporation of Profit Gold, Neotime Global, Lufa Global and our Company

- (i) Profit Gold was incorporated in the BVI on 18 February 2016 and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. One fully paid up ordinary share, representing the entire issued share capital of Profit Gold, was issued and allotted to Mr. Wu on 12 April 2016. After the aforesaid allotment and issue of share, the entire issued share capital of Profit Gold was owned by Mr. Wu.
- (ii) Our Company was incorporated on 21 April 2016 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. As at the date of incorporation, one fully-paid Share was allotted and issued to the subscriber according to the Memorandum of Association and the Articles of our Company, which was later transferred to Profit Gold on the same date. After the aforesaid transfer of Share, the entire issued share capital of our Company was owned by Profit Gold.
- (iii) Neotime Global, an intermediate holding company of our Group, was incorporated on 5 January 2016 in the BVI with an authorised share capital of 50,000 shares with a par value of US\$1.00 each. One fully paid share was allotted and issued to our Company on 28 April 2016. After the aforesaid allotment and issue of share, the entire issued share capital of Neotime Global was owned by our Company.
- (iv) Lufa Global, an intermediate holding company of our Group, was incorporated on 1 February 2016 in the BVI with an authorised share capital of 50,000 shares with a par value of US\$1.00 each. One fully paid share was allotted and issued to our Company on 28 April 2016. After the aforesaid allotment and issue of share, the entire issued share capital of Lufa Global was owned by our Company.

(III) Acquisition of the operating subsidiaries

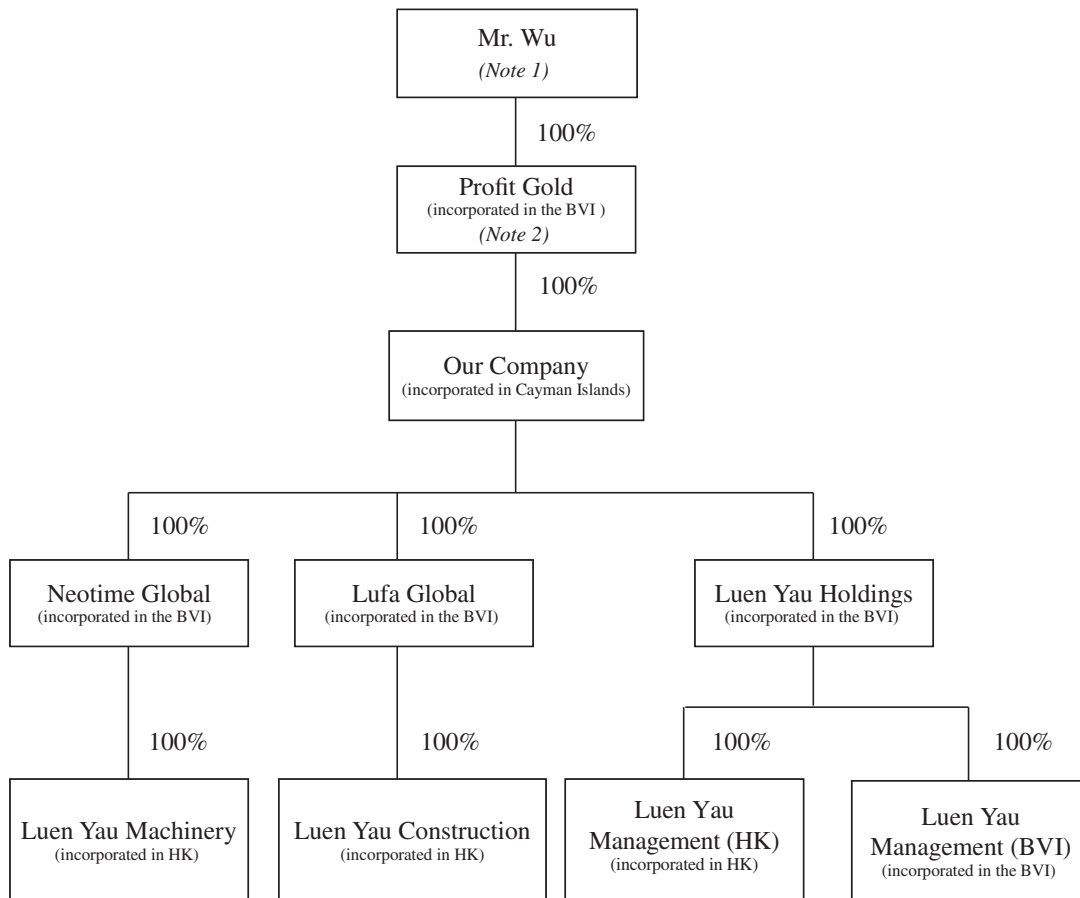
- (i) On 13 May 2016, Neotime Global acquired one share of Luen Yau Machinery, representing its entire issued share capital, from Mr. Wu. In consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu. After the aforesaid share transfer, Luen Yau Machinery became a direct-wholly owned subsidiary of Neotime Global.
- (ii) On 13 May 2016, Lufa Global acquired one share of Luen Yau Construction, representing its entire issued share capital, from Mr. Wu. In consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu. After the aforesaid share transfer, Luen Yau Construction became a direct-wholly owned subsidiary of Lufa Global.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

(iii) On 13 May 2016, our Company acquired 100 shares of Luen Yau Holdings, representing its entire issued share capital from Mr. Wu. In consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu. After the aforesaid share transfer, our Company held 100 shares, being the entire issued share capital of Luen Yau Holdings and Luen Yau Holdings became a wholly-owned subsidiary of our Company, and in turn, each of Luen Yau Management (HK) and Luen Yau Management (BVI) became an indirect wholly-owned subsidiary of our Company.

As a result of the Reorganisation, our Company became the holding company of our Group comprising Neotime Global, Lufa Global, Luen Yau Holdings, Luen Yau Construction, Luen Yau Machinery, Luen Yau Management (HK) and Luen Yau Management (BVI).

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

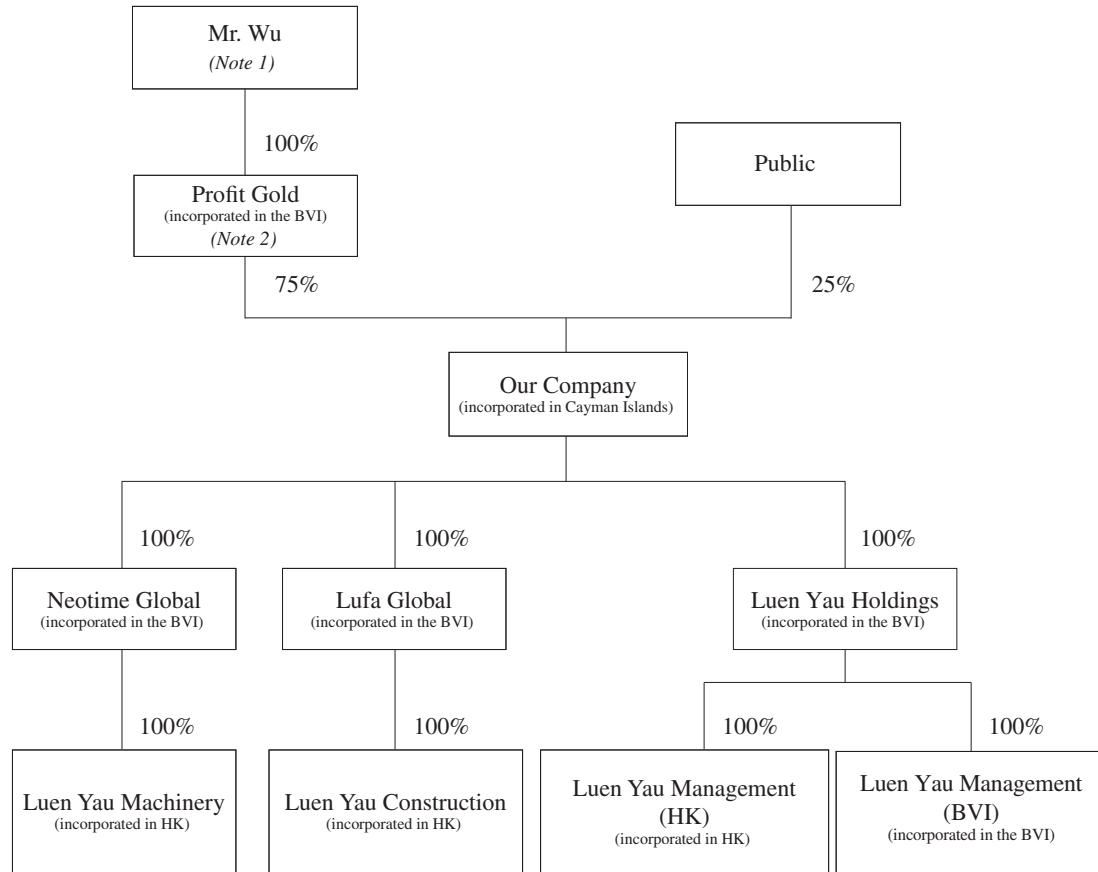


Notes:

1. Mr. Wu is our executive Director and Controlling Shareholder.
2. Profit Gold is an investment holding company wholly owned by Mr. Wu.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

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



Notes:

1. Mr. Wu is our executive Director and Controlling Shareholder.
2. Profit Gold is an investment holding company wholly owned by Mr. Wu.

BUSINESS

BUSINESS OVERVIEW

We are a Hong Kong-based subcontractor engaged in (i) construction works; and (ii) the provision of construction machinery rental services. Our construction machinery rental services represent the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our one-stop construction machinery rental service. Our construction works services represent the construction projects undertaken by us, the nature of which are broadly classified as foundation and site formation works, and builder's work and general building works. The following table sets forth the breakdown of our revenue by our two types of services during the Track Record Period:

	For the year ended 31 March						For the two months ended 31 May	
	2014		2015		2016		2016	
	<i>Revenue (HK\$'000)</i>	<i>% of total revenue</i>	<i>Revenue (HK\$'000)</i>	<i>% of total revenue</i>	<i>Revenue (HK\$'000)</i>	<i>% of total revenue</i>	<i>Revenue (HK\$'000)</i>	<i>% of total revenue</i>
Construction works	107,528	67.3	152,953	41.7	168,949	41.3	31,791	45.9
Construction machinery rental	52,165	32.7	213,776	58.3	240,400	58.7	37,416	54.1
Total revenue	<u>159,693</u>	<u>100</u>	<u>366,729</u>	<u>100</u>	<u>409,349</u>	<u>100</u>	<u>69,207</u>	<u>100</u>

Note: We had five construction works projects, with the aggregate contract sum at approximately HK\$118.4 million, to which we also provided construction machinery rental services, all on separate engagement. Hence, revenue generated from providing each type of services was included in the two business segments separately. The aggregate accumulated revenue attributable to construction works services recognised during the Track Record Period of these five projects were approximately HK\$84.5 million, while the aggregate accumulated revenue attributable to construction machinery rental services recognised during the Track Record Period of these five projects were approximately HK\$127.7 million.

We maintained over 400 construction machinery in our machinery fleet as at the Latest Practicable Date for our construction works and rental to our customers. We have provided our rental services to over 70, 110, 140 and 55 customers for each of the three years ended 31 March 2016 and the two months ended 31 May 2016, respectively.

During the Track Record Period, we provided construction works services as a subcontractor to our customers including those who are involved in public infrastructure projects such as the Hong Kong-Zhuhai-Macao Corridor and private infrastructure projects such as MTR station and the midfield concourse in the Hong Kong International Airport. Our major construction works services during the Track Record Period were foundation and site formation works which included earthworks and ELS works, and builder's work and general building works. For each of the three years ended 31 March 2016 and the two months ended

BUSINESS

31 May 2016, there were respectively, 8, 10, 11 and 8 construction projects contributing approximately HK\$107.5 million, HK\$153.0 million, HK\$168.9 million and HK\$31.8 million, respectively to our total revenue.

Our Directors consider that the two business segments of our Group complements each other and allow our Group to efficiently deploy our employees and utilise our construction machinery. Our portfolio of construction machinery enables our Group to cater for construction projects of various sizes and our construction works provide the conditions for our Group to further expand our portfolio of construction machinery.

During the Track Record Period, our customers can be broadly classified as main contractors and subcontractors of public and private construction projects in Hong Kong. For the three years ended 31 March 2016 and the two months ended 31 May 2016, our top five customers of construction works services accounted for approximately 99.7%, 98.5%, 99.3% and 95.5% of our total revenue attributable to construction works services, respectively, while our top five customers of construction machinery rental services accounted for approximately 44.7%, 65.7%, 63.4% and 60.4% of our total revenue attributable to construction machinery rental services, respectively. Our top five customers during the Track Record Period have maintained business relationship with us for a period ranging from one to ten years.

During the Track Record Period, our suppliers included subcontractors of construction works, lessors of machinery, repair and maintenance service providers and suppliers of consumables such as spare parts and diesel fuel. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, our top five suppliers (excluding subcontractors) accounted for approximately 20.5%, 18.7%, 15.6% and 16.2% of our total cost of services, respectively. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, our top five subcontractors accounted for approximately 13.2%, 9.8%, 17.4% and 22.3% of our cost of services, respectively. Our top five suppliers by cost of sales during the Track Record Period have maintained business relationship with us for a period ranging from one to thirteen years.

According to the Ipsos Report, public expenditure on infrastructure in Hong Kong witnessed significant growth from about HK\$52.5 billion in 2011 to about HK\$79.5 billion in 2015, at a CAGR of 10.9%, owing to the Ten Major Infrastructure Projects initiative. The rising demand for office and residential buildings as well as infrastructure projects will continue to drive growth in the construction industry in the foreseeable future and the demand for construction service is forecasted to continue rising owing to the ongoing infrastructure projects. In addition, the abovementioned Government plans are also conducive to the growth of construction machinery rental market such as Kai Tak Development, Hong Kong-Zhuhai-Macao Bridge, and the extension of MTR railways will continue to drive as more construction machinery will be required to fulfil the huge construction demand.

In view of the aforesaid, our Directors are of the view that the demand for construction works services and construction machinery rental services in Hong Kong will continue to rise in the coming years. For details, please refer to the section headed "Industry Overview" of this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

We provide a vast number and a comprehensive range of construction machinery for rental

We had a comprehensive machinery fleet comprising over 400 construction machinery for rental as at the Latest Practicable Date of which includes excavators, loaders, bulldozers, dump trucks, mobile cranes, compactors, tractors, semi-trailers, tipper and van. Our Group's machinery fleet initially comprised mainly excavators and our fleet of excavators are equipped with different attachments which enables a variety of works to be carried out. In particular, our machinery fleet has several excavators with telescopic dipper attachment which enables excavation work to be carried out in extremely confined space. Over the years, as our business developed, we were able to build a comprehensive fleet of excavators and other construction machinery. With such diverse selection of construction machinery in our machinery fleet, our Directors believe that we can facilitate our customer's need as different types of construction machinery are required at different stages or scope of construction works such as site formation, piling, drainage and structure erection. Additionally, for our relatively larger scale machinery rental arrangements, the vast number of construction machinery in our machinery fleet allow us to place spare construction machinery at our customer's construction site to ensure that any malfunction construction machinery can be replaced efficiently to prevent any potential delay to our construction projects.

According to the Ipsos Report, the availability of a wide selection of construction machinery for rental is an important edge in the construction machinery rental service industry in Hong Kong. Generally, contractors prefer to lease from construction machinery rental service providers with a wide machinery portfolio as they do not need to find additional rental service providers for different types of construction machinery required. This may save the trouble for contractors to manage several construction machinery rental service providers at a time. Moreover, contractors of large construction projects have incentive to lease numbers of construction machinery from one rental service provider as they are more likely to get a better price. Given the portfolio of construction machinery owned by our Group, our Directors believe that we are able to provide a more comprehensive selection of construction machinery for rental to our customers as compared to many of our competitors.

We provide an one-stop construction machinery rental service to our customers

We provide a one-stop construction machinery rental service to our customers which includes the provision of machine operator and transportation service for our rented machinery. The operation of construction machines which includes excavators, compactors and mobile cranes requires high levels of skills and qualifications. In view of such, our Directors are keen on training our employees and provide opportunities for their development into licensed operators. As at the Latest Practicable Date, we employed 185 licensed machine operators which enable us to provide rental services along with machine operators. We provide relevant training to our machine operators to ensure the quality of services delivered by them.

BUSINESS

According to the Ipsos Report, there were approximately 60 construction machinery rental service providers in Hong Kong as of April 2016. Some of these construction machinery rental service providers may not have a sufficient number of machine operators and may not offer transportation services as part of their rental service. As such, these supplemental services are considered to be advantages of our Group in the industry. The provision of experienced machine operators helps to attract contractors as they generally have limited numbers of licensed machine operators. Therefore, contractors tend to rent construction machines along with machine operators from construction machinery rental service providers to ensure the construction works are carried out properly. Furthermore, our Group can provide transportation service for its rented construction machines to the required destination as we have heavy construction vehicle drivers and vehicles for construction machine delivery. As our Group has its own transportation team, the operating cost of our Group may be reduced as it is not necessary to outsource the delivery of construction machinery to a logistics company, which is likely to be more costly. In view of the above, our Directors believe that our Group can benefit from its capability to provide one-stop service to our customer which facilitates our customers' needs and convenience for their construction machinery rental.

We have a synergistic business model which benefits both our operating segments

Our Group distinguishes itself from regular construction machinery rental service providers in Hong Kong by engaging in construction works business to increase our Group's revenue source and improve the utilisation rate of our Group's construction machinery. Our Group is engaged as a subcontractor in (a) foundation and site formation works and (b) builder's works and general building works, which often require numbers of construction machinery. Our Directors believe that our Group's two business segments supplement each other, enabling our operation to be more cost-effective.

Firstly, as our Group engages in construction works, we can utilise our own construction machinery for our construction projects when the construction machinery and machine operators are not subject to rental and thus helps to further utilise our Group's construction machinery and machine operators. Secondly, our Group can efficiently perform the construction works at relatively lower costs given the self-owned construction machinery and the sufficiency in the numbers of construction machinery owned can ensure the construction works to be carried out efficiently and in a timely manner.

In reaching a decision as to whether to undertake a rental arrangement or construction projects for our construction machinery, our Directors would consider the following factors: (i) the length of the arrangement/project; (ii) the pricing of the arrangement/project; and (iii) the stability of the revenue from the arrangement/project. During the Track Record Period, we had customers of construction works who also engaged us, all on separate engagement, to provide construction machinery rental services, whether or not our construction machinery rental services were provided on the same construction works projects. We have five construction works projects, with the aggregate contract sum at approximately HK\$118.4 million, to which we also provided construction machinery rental services, all on separate engagement. Among these five construction works projects, three projects with Customer C, Customer E and

BUSINESS

Customer F completed during the Track Record Period while the remaining two projects with Customer K and Customer L were on-going as at 31 May 2016. The aggregate accumulated revenue attributable to construction works services recognised during the Track Record Period of these five projects were approximately HK\$84.5 million, while the aggregate accumulated revenue attributable to construction machinery rental services recognised during the Track Record Period of these five projects were approximately HK\$127.7 million.

Our Directors consider that the pricing and profit margin between these projects where we provide both construction works and rental services and a stand-alone project is not substantially different as we have two separate pricing policy for our two business segments. The quotation for construction works or construction machinery rental is determined by two different operational departments.

Furthermore, the construction works business segment of our Group helps to maintain our Group's experienced machine operators. As the machine operators are paid based on the number of days that they actually work in a month, the machine operators of our Group can benefit from the consistent job opportunities offered by the two business segment of our Group. As a result, our machine operators are more likely to stay in our Group given the stable job opportunities. Additionally, our Directors believe that having a stable and regular workforce coupled with an established fleet of construction machinery enables our Group to cater for projects of various sizes and allows a better coordination in the deployment of labour and construction machinery in different projects, which in turn increases our efficiency and ability to handle multiple construction projects simultaneously.

We have an experienced and dedicated management team

We have an experienced and dedicated management team with extensive industry and operational experience in the construction works and the construction machinery rental industry in Hong Kong to lead our Group through future challenges. Our executive Directors and senior management team comprise a group of highly experienced individuals in the construction works and construction machinery rental industry. Mr. Wu, our founder, Chairman and executive Director, has over 19 years of experience in the construction works and construction machinery rental industry and has established close working relationships with our customers and suppliers. His experience, coupled with extensive knowledge of the construction works and construction machinery rental industry in Hong Kong is integral to the success of our Group. Mr. Chan, our executive Director, possesses over 30 years of work experience in the construction industry in Hong Kong. He has deployed strategies for continued future growth of our business, and built our relationships with main construction contractors in Hong Kong.

Our executive Directors and senior management members are supported by a growing and dedicated staff force. For details of the experience of our senior management team, please refer to the section headed "Directors, Senior Management and Staff – Senior Management" in this prospectus. Under the leadership of our management team, we have built up our construction works capacity, expanded our service types and enhanced our market presence. The broad know-how and industry knowledge acquired and accumulated over the years by our management team have been and will continue to be beneficial to our business and prospects.

BUSINESS

BUSINESS STRATEGIES

Our objective is to achieve sustainable growth in our business in Hong Kong by implementing the following business strategies:

Strengthening our position as a market leader in the construction machinery rental market in Hong Kong

According to the Ipsos Report, our Group ranked second in terms of revenue in the construction machinery rental industry in Hong Kong in 2015. We anticipate that the construction industry will continue to grow over the coming years due to the rising demand for commercial and residential buildings as well as infrastructure and our Directors believe that the market demand for construction machinery rental will substantially increase. According to the Ipsos Report, the public expenditure on infrastructure in Hong Kong has been increasing from about HK\$52.5 billion in 2011 to HK\$79.5 billion in 2015, representing a CAGR of approximately 10.9%. The increasing public expenditure on infrastructure was mainly driven by mega-sized infrastructure projects in Hong Kong, which has driven up the demand of construction machinery and equipment. The revenue of the construction machinery rental services has also increased steadily from 2011 to 2015 and is expected to increase at a CAGR of 6.1% from about HK\$4,784.2 million in 2016 to about HK\$6,068.2 million in 2020. As the investment in public infrastructure is expected to continue from 2016 to 2020, the revenue of construction machinery rental service industry is likely to continue its growth.

Under our construction machinery rental business, our customers may require different types of construction machinery depending on the respective stages of the construction projects they may engage us in, the type of construction projects and their particular needs. As our construction machinery rental business highly depends on our machinery fleet, we believe that the enhancement of our machinery fleet can improve the availability and variety of construction machinery to cater for different needs of our customers which might in turn enhance the utilisation rates and rent-out rates of our machinery fleet and thus the profitability of our Group.

With the implementation of the NRMM Regulation and the Technical Circular, certain types of exempted Regulated Machines will be phased out progressively from 1 June 2015 and no exempted generators, air compressors, excavators and crawler cranes will be allowed to be engaged in any new capital works contracts of public works with an estimated contract value exceeding HK\$200 million and tenders invited by 1 June 2019. Our Group has obtained approval or exemption for 318 Regulated Machines in accordance with the relevant requirements as at the Latest Practicable Date. For the three years ended 31 March 2016 and the two months ended 31 May 2016, we had 70, 84, 91 and 107 Regulated Machines which are approved NRMM and 126, 184, 203 and 199 exempted NRMM among our machinery fleet, respectively. For details of our construction machines in relation to the NRMM Labels, please refer to the sections headed “Business – Our Machinery” and “Laws and Regulations – NRMM Regulation” in this prospectus.

BUSINESS

We intend to continue to improve our machinery fleet in different capacities and specifications and we have plans to further purchase more approved NRMM with financing from (i) the proceeds from the Share Offer, (ii) our Group's internal resources; and (iii) finance leases to be arranged to replace a series of exempted NRMM in our machinery fleet in stages to cope with the Technical Circular and to meet the demand in the future. We plan to spend approximately HK\$148.0 million to acquire approved NRMMs within the next three years. For details, please refer to the sections headed "Business – Our Machinery – Possible impact of NRMM Regulation and the Technical Circular" and "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus. Our Directors believe that with the enhancement of our machinery fleet as well as our industry knowledge, our Group's portfolio will be more competitive, and we can further capture the market demand.

The primary purpose of the replacement plan was for the replacement of the exempted NRMMs by approved NRMMs, namely the excavators and crawler cranes in our machinery fleet within the next three years to comply with the Technical Circular. Out of the approximately HK\$148.0 million, approximately HK\$133.2 million will be used within the next three years to acquire around 115 units of approved excavators and three units of approved crawler cranes to replace the relevant exempted NRMMs to comply with the phase out plan under the Technical Circular. The remaining HK\$14.8 million will be used within the next two years to acquire other approved NRMMs including loaders, bulldozers, dump trucks, compactors and special purpose vehicles to enhance our machinery fleet by replacing our relevant exempted NRMMs with approved NRMMs because (i) the utilisation rate of approved NRMMs was higher than exempted NRMMs since the implementation of the NRMM Regulation and the Technical Circular; and (ii) our Directors consider the future trend of the construction industry will prefer the use of the approved NRMMs. Hence our Directors expect that there will not be a material variation in the total number of construction machinery in our machinery fleet in the next three years. In view that (i) the investment in public infrastructure is expected to continue and the gross output value of the construction industry in Hong Kong is expected to increase from HK\$183.1 billion in 2016 to HK\$232.3 billion in 2020 and the growth in the construction machinery rental service industry is largely attributable to the rising demand in construction industry according to the Ipsos Report, (ii) according to the Technical Circular, certain types of exempted Regulated Machines will be phased out progressively and certain exempted Regulated Machines will not be allowed to be engaged in and large-sized public works by 1 June 2019 and (iii) the utilisation rate of approved NRMMs was higher than exempted NRMMs since the implementation of the NRMM Regulation and the Technical Circular, our Directors consider that there will be sufficient demand of our Group's services after the replacement plan has completed.

Recruiting and expanding our team of skilled and technical personnel and strengthening staff training

Depending on our customers' need, our Group provides the flexibility of construction machine rental along with provision of machine operators under our rental services. The operation of construction machines including excavators, compactors and mobile cranes requires specialised skills and qualifications. Our Directors consider that our machine

BUSINESS

operators which are available for rental along with our construction machine are familiar with the operation of our construction machine, which in turn enhance the quality of our rental service. Our success is therefore dependent on our team of skilled construction machine operators and other operations staff.

To facilitate our business growth, we plan to strengthen and expand our team of skilled and technical operations staff. As at the Latest Practicable Date, we had a total of 185 machine operators and 83 site workers. We plan to recruit 14 additional operation staff in order to improve the quality of our service and cope with our expansion plan. For details, please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus. We also aim to improve the competence of our employees by providing technical training to our operation staff.

OUR SERVICES

Rental of construction machinery

We generate revenue from rental of our construction machinery which are available for rental under daily or monthly rental arrangements. The construction machinery we carry as part of our machinery fleet includes 249 excavators, 11 bulldozers, 28 loaders, 8 compactors, 14 dump trucks, 10 mobile cranes, 19 lorry cranes, 8 tractors, 13 semi-trailers, 28 tippers and 50 other machinery as at the Latest Practicable Date. In accordance with the Ipsos Report, the length of rental period can range from a day, a week, a month or up to a year, and generally varies according to the requirements of the customers, the scale and schedule of the projects that the customers are involved in and the types of machinery required. Owing to the demand for flexibility in the rental period of construction machinery, our rental operation had no minimum requirement for length of rental period, and our customers may continue the rental arrangement for up to two years.

Given that our construction machinery are estimated to be functional for at least ten years, comparing with leasing construction machinery from third party construction machinery service providers, our Directors consider that acquiring our own construction machinery will be more favourable to our Group’s business of construction machinery rental in long term because we are more able to secure a higher profit margin of rental fee if we own the construction machinery to be rented by our customers. Acquiring our own construction machinery also provides certainty of availability of construction machinery to meet our customers’ demand from time to time and can be used in our construction works projects if necessary. Please refer to the section headed “Our Competitive Strengths – We provide a vast number and a comprehensive range of construction machinery for rental” in this section. In determining which kinds of construction machinery to be acquired, we generally take into account factors including our customers’ demand of the construction machinery and the then regulatory requirement. Currently we plan to spend approximately HK\$148.0 million to acquire construction machinery which are all approved NRMMS to comply with the phase out plan in the Technical Circular and to enhance our machinery fleet. For more information, please refer to the paragraph headed “Our Machinery – Possible impact of NRM Regulation and the Technical Circular” in this section.

BUSINESS

According to the experience of our executive Directors and their understanding on our customers' needs on our Group's construction machinery rental service over the years of operation, we consider excavators, loaders, bulldozers, dump trucks, compactors, special purpose vehicles and mobile cranes are of high demand or to be in high demand in the future regarding our Group's business. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, these seven types of construction machinery were attributable to approximately 70.2%, 72.4%, 62.6% and 57.1% of our total revenue of construction machinery rental business respectively. In order to maintain such part of our machinery fleet, approximately HK\$52.3 million or approximately 78.6% of the net proceeds is intended to acquire these seven types of construction machinery. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. The following table sets out the revenue and utilisation rate of each of these seven types of construction machinery during the Track Record Period and their respective approximate percentage of use of proceeds:

	For the year ended 31 March						For the two months		Use of proceeds
	2014		2015		2016		ended 31 May 2016		
	Revenue HK\$000	Utilisation rate	Revenue HK\$000	Utilisation rate	Revenue HK\$000	Utilisation rate	Revenue HK\$000	Utilisation rate	
Excavators	33,801	54.1%	126,002	73.3%	104,566	65.5%	14,938	54.5%	54.2%
Loaders	1,240	42.5%	8,423	47.5%	12,685	61.6%	1,898	62.2%	5.1%
Bulldozers	945	46.4%	14,893	72.9%	10,709	53.6%	600	16.4%	3.8%
Dump trucks	-	-	3,697	84.5%	14,271	88.4%	2,500	79.2%	10.2%
Compactors	287	76.5%	139	69.2%	1,127	75.3%	251	40.2%	2.7%
Special purpose vehicles	329	71.2%	74	78.3%	1,120	66.6%	216	75.0%	0.5%
Mobile cranes	18	6.2%	1,498	39.1%	6,034	67.2%	965	62.5%	2.1%
Total (% of revenue of construction machinery rental business)	36,620 (70.2%)		154,726 (72.4%)		150,512 (62.6%)		21,368 (57.1%)		78.6%

Note:

- Our total revenue derived from different types of construction machinery owned by our Group as illustrated from the table above, in addition to the revenue derived from the sub-leasing of construction machinery and provision of machine operators and transportation services, constituting the total revenue of our construction machinery rental services.

BUSINESS

As an illustration about the advantage of owning instead of leasing construction machinery in high demand, a comparison of the monthly rental cost (which can be referenced to the quotation obtained from third parties during the Track Record Period) and the monthly acquisition cost (which is determined by dividing purchase cost of relevant machinery plus relevant estimated maintenance and insurance cost by 48 months (depreciable period)) for excavators loaders and dump trucks (our Group's mostly owned machinery during the Track Record Period), are set out below:

Type of machinery	Monthly rental cost (quotation date)	Estimated monthly acquisition cost (order date)
Excavators (i.e. 7 tons)	HK\$15,000 per month (May 2015)	HK\$8,125 per month (May 2015)
Excavators (i.e. 21.5 tons)	HK\$25,000 per month (November 2014)	HK\$23,438 per month (November 2014)
Loaders	HK\$20,000 per month (June 2015)	HK\$9,063 per month (June 2015)
Dump trucks	HK\$80,000 per month (November 2014)	HK\$46,875 per month (November 2014)

Based on the above comparison, the monthly acquisition cost of the relevant machinery is substantially lower than our monthly rental cost from third parties. Hence, it is more cost effective for our Group to own rather than to lease the relevant machinery which our Directors consider as of high demand or to be high demand in the future.

In stating so, we may lease certain construction machinery which we do not possess or are insufficient of from third party construction machinery service providers. In particular, for certain construction machinery which, according to the experience of our executive Directors regarding our Group's construction machinery rental service, are currently not of high demand or are considered not to be in high demand in the future, our Directors are inclined to lease instead of purchase such machinery. We would then sub-lease such machinery to our own customers.

For the three years ended 31 March 2016 and the two months ended 31 May 2016, our total sub-leasing costs amounted to approximately HK\$3.9 million, HK\$35.0 million, HK\$16.3 million and HK\$6.3 million, respectively, representing approximately 8.1%, 18.9%, 7.8% and 18.0% of the total costs of our rental operations for the respective periods. Our Directors consider that these sub-leasing arrangements can supplement our machinery fleet and allow greater flexibility, help maintain our relationship with customers by satisfying their requests and keeps track of the market trends through communications with customers as well as other construction machinery service providers.

BUSINESS

We also consider that leasing certain machinery which may not be commonly used for our operation from third party providers is more cost effective as the purchase of construction machinery requires significant capital investment and some financing means may incur additional finance costs.

One illustrative example on the cost saved by leasing instead of purchasing the certain type of machinery which may not be commonly used for our operation is drilling machine. During the Track Record Period and up to the Latest Practicable Date, we do not own any drilling machine and had only sub-leased two drilling machines to our customer. While our sub-leasing cost of each of such drilling machines was approximately HK\$80,000 per month, our total rental cost incurred during the Track Record Period was approximately HK\$803,077. On the other hand, an estimated monthly acquisition cost (which is determined by dividing purchase cost of drilling machinery plus relevant estimated maintenance and insurance cost by 48 months (depreciable period)) will be HK\$56,250, resulting in a total estimated acquisition cost of approximately HK\$4.3 million for two drilling machines during the Track Record Period. Based on the above comparison, our Directors considered it is more cost effective to lease rather than to own the drilling machines in view of its relatively low market demand and have no intention to purchase any in the future.

As part of our construction machinery rental service, our Group may provide machine operators and transportation services if requested by our customers. Such services are generally required by our customers when we rent out our construction machinery. As at the Latest Practicable Date, we employed 185 licensed machine operators who are competent to operate one or more types of construction machines. We provide in-house training to these machine operators by our experienced operators to ensure the quality of services delivered by our Group.

Construction works

We provide construction works services as a subcontractor in Hong Kong. Our construction works are broadly classified into (i) foundation and site formation works and (ii) builder's work and general building works. Our works are inter-related to one another and our projects may include one or more types of works depending on our customers' needs and requirements for their construction projects.

Our major works during the Track Record Period were foundation and site formation works which included earthworks and ELS works, builder's works and general building works.

(i) foundation and site formation works

Earthworks

Earthworks involve the removal, moving or adding a required quantity of soil or rock from a particular area to another to create an area of a suitable height and level for a specific construction purpose. This is achieved by excavating an area of ground or by constructing a new area, such as an embankment by adding earth based materials to a certain location.

BUSINESS

ELS works

ELS works is generally for establishing a supported area for deep excavation to facilitate subsequent construction of footing foundation or pile caps for further infrastructure development. ELS works begin by the insertion of steel pile wall into the soil for the planned excavation which will begin between the steel pile wall. Lateral support is added to keep the steel pile wall stable for deeper excavation. Pile caps construction and substructure construction will begin once excavation to the required depth is completed.

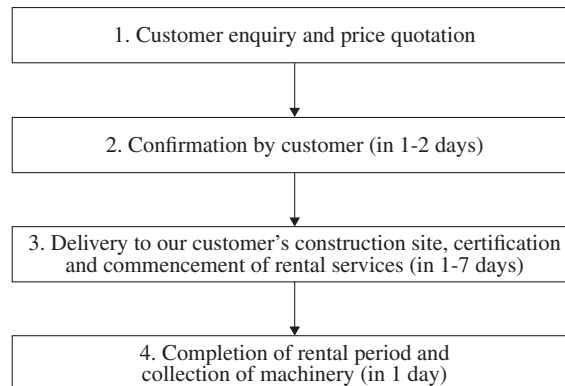
(ii) Builder's works and general building works

Builder's work and general building works are generally works required to be done in connection with other works which are covered by the scope of another specialised subcontractor engaged for the project or the provision of other minor building works. This may include forming an opening in a wall to allow installation of electrical wiring by a specialised contractor, sealing holes and making good the wall faces after such installation.

BUSINESS MODEL AND OUR OPERATION

Rental of construction machinery

The following flow chart sets out the major activities of our rental operation:



1. Customer enquiry and price quotation

Our existing and potential customers normally approach our rental team by phone or email for quotation of the rental price of our construction machinery, the supply of machine operators or drivers and transportation services. Our staff may also provide advices to our customers on the type of construction machinery that may meet their need.

In general, our customers would require the services of our machine operators or drivers to operate our construction machinery and the fee for such services would be included in the quotation provided to our customer or be orally confirmed by our customer. The machine operators and drivers remain as employees of our Group.

BUSINESS

Occasionally, there may not be a sufficient number of machinery or we do not possess a specific type of construction machinery in our machinery fleet to fulfil our customers' need. In such cases, we may rent the specific type of construction machinery from a third party construction machinery providers and we would then sub-lease the same to our own customers.

We set our rental fees according to various factors including (i) the purchase cost of the construction machinery; (ii) the capacity and model of the construction machinery; (iii) length of the rental period; (iv) working condition and ground conditions of the site; and (v) credibility of the customer. The extent of foreseeable wear and tear of the construction machinery principally depends on the ground conditions. For sub-leasing arrangements, our Group also takes into account the cost associated with entering into the respective sub-leasing arrangement when determining the rental fee for our customers. Depending on the scale of the rental arrangement and the requirement and/or the business size of our customers, our rental team may provide an oral price quotation or submit a formal quotation specifying the details of the price of the construction machinery rental for our customer's consideration.

2. Confirmation by customer

Depending on the requirement and/or business size of our customer, our customer may either (i) orally agree and confirm the quotation provided by our rental team or (ii) issue to us a purchase order specifying the details of the rental services required and the unit price as quoted by our rental team to formally request for our rental service.

3. Delivery to our customer's construction site, certification and commencement of rental services

Certain types of construction machine may need to be disassembled in order to be transported. After the construction machine is disassembled, our Group may arrange for the delivery of the rented machine or sub-leased machine by our own team or engage third party service providers to deliver the rented construction machine to our customers' construction sites.

Upon delivery, our customers would be responsible for the rented construction machinery subject to the terms of our quotation. The operation of our construction machinery requires a substantial amount of diesel which may be provided by our Group and the quotation would state whether diesel is included in the rental price; or is arranged by our customer.

In cases where disassembly was required for a particular type of construction machine, the construction machine will need to be assembled before operation and the assembly process is conducted by us or our third party service providers depending on the complexity.

Due to safety regulations applicable to the operation of construction machine in Hong Kong, we provide relevant certification to our customers for all of our construction machines. Our rented construction machines would be inspected by a third party consultant prior to delivery and the relevant inspection records would be provided to our customer upon delivery.

BUSINESS

For construction machines rented from third party construction machinery service providers for sub-leasing, the relevant inspection records are provided to us by the third party construction machinery service provider upon delivery to our site and we would arrange for the delivery of the sub-leased construction machines to our customer's site along with the relevant inspection records.

Upon arrival at our customer's construction sites, the rented construction machines would be inspected and certified by a competent person of the main contractor. After completion of the inspection, he/she will complete an inspection report and place a relevant certification label on the construction machines.

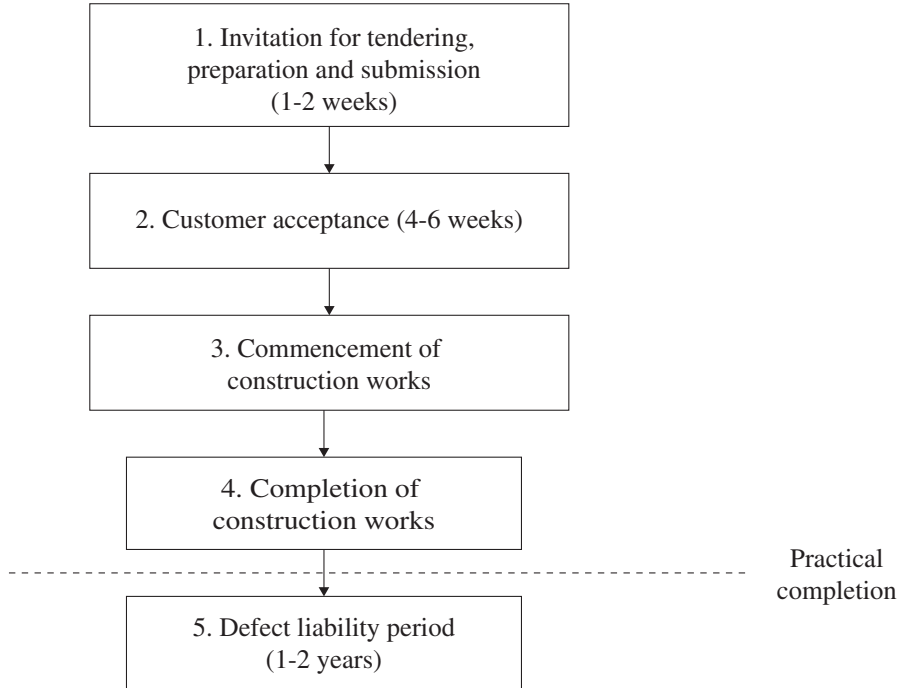
During the rental period, a daily record of the construction machinery used for each rental arrangement is kept by our Group and we issue an invoice to our customers at the end of each month. We generally provide our customers a credit period of 30-60 days after issuance of invoice.

4. Completion of the rental period and collection of machinery

At the end of the rental period, the construction machinery will be inspected, disassembled (if necessary) and returned to our designated location. If the construction machinery is found to be damaged during our inspection, we would charge the customer the cost of replacement unless the damage is caused by the negligence of our machine operators or drivers. Items required to be replaced would be specified in the invoices which we issue to our customers for subsequent payments. The process will be the same for construction machinery obtained from third party provider.

Construction works

The flow chart summarises the work-flow of our typical and material construction works project:



1. Invitation for tendering, preparation and submission

We are usually invited by our customer to submit a tender for a potential project. Our customers are main contractors or subcontractors of potential construction projects and we are invited to act as a subcontractor. Our customers normally provide us with the specifications, design drawings, bills of quantities and other relevant information along with the invitations for preparation of the tender.

Our tendering team, consisting of a project manager and a quantity surveyor, is responsible for making a preliminary review and assessment of a potential project and the preparation of the tender. Our quotations are determined on a project-by-project basis and it is generally based on our estimated costs to be incurred for the potential project plus a mark-up margin. In the course of preparation of the tender, our project manager will take into consideration principal factors, including: (i) the specifications and complexity of the potential project; (ii) the site location and conditions; (iii) the price quotations from our suppliers; (iv) the work schedule and duration of the potential project; (v) the availability of construction machinery, resources and manpower needed; and (vi) our previous working relationship with the customer. Our project manager may conduct an on-site visit if necessary to make a more accurate assessment of the geological/underground conditions of the relevant sites to mitigate risks which may result in increased expenses and prolonged work schedules. During the Track Record Period, we have not experienced any material complaints for the shortage of resources for our projects.

BUSINESS

Once our executive Directors decide that the potential project is acceptable based on the review and assessment, we will prepare and submit a tender to our customer accordingly. The tender documents would include our credentials and schedule of rates. Depending on the complexity and scale of the construction project, it may take us approximately one to two weeks to prepare and submit our tender to our customers after we receive the requests.

Tenders submitted during the Track Record Period

During the Track Record Period, all of our construction projects were obtained through tendering. The following table sets out the number of projects tendered, the number of successful projects and our success rate during the Track Record Period:

	Year ended 31 March			For the two months ended 31 May 2016	For the six months ended 30 September 2016
	2014	2015	2016		
Number of projects tendered	11	20	11	6	11
Number of successful projects	5	9	5	3	4
Success rate	45%	45%	45%	50%	36%

We had submitted six tenders during the two months ended 31 May 2016, three of these projects was successfully tendered and three tenders were unsuccessful. During the six months ended 30 September 2016, we had submitted 11 tenders, four of these projects were successfully tendered and five tenders were unsuccessful. As for the results of the two remaining tenders, we are expected to be informed about the results within approximately three to six months after our submission as our tender would be subjected to the success of the main contractor's tender.

Upon receipt of our tender, our customer may by way of interview or enquiries to clarify and negotiate with us the particulars of our submitted tender and the contract terms. For details of the major contract terms with our customers, please refer to the section headed "Business – Our Customers – Major terms of our contracts" in this prospectus. It generally takes around four to six weeks for our customers to consider our tenders and inform us whether they would award us with the construction project.

2. Customer acceptance and project execution

Once our customer accepts our tender, it will issue a letter of award to us to confirm our engagement and we generally enter into a formal engagement agreement with our customer once the contract terms are finalised. Upon confirmation of our engagement, we commence the implementation of the project by: (i) forming a project management team; (ii) planning and arranging the required construction machinery to be delivered to the construction site; and (iii) negotiating and finalising any subcontracting arrangements if necessary.

(i) Formation of project management team

Depending on the scale and complexity of the project, our project management team generally comprises the project manager, engineer, site agent, quantity surveyor and foreman. Our project manager will closely monitor the progress of the project on an on-going basis to ensure compliance with applicable statutory and regulatory requirements. Our project management team will oversee the project on site and report to our executive Directors on the project status and identify any problems that need to be resolved from time-to-time.

(ii) Planning and arranging construction machinery

In cases where our construction works involve usage of construction machinery, our site agent will be responsible for managing the construction machinery for all projects. Our executive Directors and site agent will determine among others, the types of construction machinery to be used, the time period which require the use of the construction machinery and the logistics for the delivery of construction machinery. For details on our construction machinery, please refer to the section headed “Business – Our Machinery” in this prospectus.

(iii) Negotiating on and/or finalising any subcontracting arrangements with third parties

Depending on our capability and resources level, we may subcontract specific parts of our project, such as certain ELS works and general building works to our subcontractors. Save for such specific parts of the project, we usually carry out the projects by our employees. For details on our subcontracting, please refer to the paragraph “Business – Our suppliers – Subcontracting” in this prospectus.

3. Commencement of construction works

(i) Monitoring and quality inspection

Our project manager is responsible for monitoring the progress of projects and regularly reports to our executive Directors regarding the project performance, any risks in delaying the construction programme, comments from our customer and follow-up on matters for the project. In addition, we would normally hold progress meeting with our customer throughout the project.

Our site agent or quantity surveyor is required to prepare a site daily record describing the works both performed by our workers or subcontractors and the site daily record will be passed to our project manager for review. Our site agent will inspect fieldworks including monitoring the work progress and communicating with our foreman on the progress of each project.

Our foreman is responsible for supervising our workers and subcontractors on site and our project manager will communicate with our foreman from time to time to understand the quality of work carried out. The work progress of the site would be inspected by our quantity surveyor before we prepare the payment application to our customer.

(ii) Customer inspection and acceptance and progress payment

Our customer would inspect our works done in the course of execution of the construction projects. We generally do not receive any sums as prepayment from our customers after being awarded with the construction project. The revenue we recognised from our construction projects is commensurate with the values of the works completed by us. In accordance with terms of the subcontracts, we are generally required to submit to our customers on a monthly basis with a payment application which is a written statement of the value of our work done under the subcontract along with any variation. Our customers will assess the payment application and certify the amount we are entitled to be paid for the relevant month. A payment certificate will be issued to us and the payment will be made to us once our customer is satisfied with our payment application. In general, it takes around four weeks to receive the certified amount after we submit our payment application. Our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for the project.

(iii) Variation Orders

In some projects, our customer may order variation or request for additional works that is beyond the scope of the subcontract (“**variation orders**”). The value of the variation orders has to be agreed between our customers and us. If there is a pre-agreed fee rate in the subcontract for the additional work, the additional work is generally priced in accordance with the pre-agreed fee rate. If there is no pre-agreed fee rate, we will provide a quotation to our customer, the mechanism of which is similar to providing our project quotation.

Depending on the terms and conditions of the subcontracts, the main contractors may give instructions to vary the subcontract works. The value of the variation work is generally ascertained with reference to the rates and prices specified in the subcontract for the like or analogous work.

At the end of each month, we will apply to our customer for the amount of variation order carried out and receive progress payment. The principal contract terms and settlement of variation orders are generally in line with the terms of the subcontract.

4. Completion of construction works and retention monies

In general, we regard a subcontract as practically completed (excluding the defect liability period) once we complete all the subcontract work thereunder. We will then remove our machinery and labour from the work sites such that our customer and other subcontractors can continue with their work according to the construction work programme. Our customer will then prepare and agree on the final account with us and the final accounts are generally issued to us approximately four to six months after practical completion. The final account will set out, among others, the final outstanding balance due to us.

In order to ensure due completion of the entire subcontract work, our customers will usually be given the right to withhold approximately 10% of each progress payment due to us as retention monies. In general, the subcontracts will specify that the total amount of retention monies shall not exceed approximately 5% of the total sum of the subcontracts. The retention monies are generally released to us in two instalments but the retention period could vary. The first half of the retention monies is generally released after the completion of our subcontract work while the second half is generally released 12 months after completion of the subcontract work or main contract or after the defect liability period respectively. As at 31 May 2016, the retention monies withheld by our customers for completed works included in our retention receivables amounted to approximately HK\$24.0 million. Our Directors confirmed that no provision was made to the retention monies receivables because there was no defects reported by our customers. As at the Latest Practicable Date, we expected that 56.9% of the retention monies withheld by our customers will be released to us by 31 March 2017.

Similar to the aforesaid arrangement between our customers and us, we generally withhold approximately 10% of each of the progress payment due to our subcontractors as retention monies to guarantee their due completion of the subcontract works. As at 31 May 2016, the retention monies withheld by us for the works completed by our subcontractors included in our retention payables amounted to approximately HK\$3.1 million.

BUSINESS

5. Defect liability period

In general, subject to the requirements of different projects, we are required by our customers to provide a defect liability period during which we remain responsible for remedying any defects or imperfections in relation to our works done. Our defect liability period will generally be (i) a specified period after completion of our subcontract work; or (ii) a period until the expiry of the defect liability period of our customers as the main contractors, depending on the terms and conditions of the subcontracts. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim from our customers in relation to defects or imperfections discovered during the defect liability period.

OUR PROJECTS

During the Track Record Period and up to the Latest Practicable Date, we have completed 13 construction projects.

As at the Latest Practicable Date, we had ten construction projects in progress and the total outstanding contract sum of the same as at 31 May 2016 was approximately HK\$140.8 million. Further, as at the Latest Practicable Date, we had two on-going construction projects which commenced after the Track Record Period and the total contract sum of the same was approximately HK\$65.2 million.

The following table sets out the details of our construction projects with a total contract amount of over HK\$1 million completed during the Track Record Period in descending order based on the total contract amount:

No.	Our customer	Location	Type of works	Project period (Note 1)	Total contract amount (Note 2) (HK\$'000)	Accumulated revenue attributable to construction works services recognised during the Track Record Period (HK\$'000)
1.	Customer A ^(Note 3)	Hong Kong International Airport	Foundation and site formation works	December 2010 – January 2014	143,198	5,263
2.	Customer B ^(Note 4)	Kennedy Town	Foundation and site formation works and builder's work and general building works	March 2010 – June 2015	54,362	43,554
3.	Customer C ^(Note 5)	Liantang	Foundation and site formation works	June 2014 – May 2015	12,494	12,494
4.	Customer D ^(Note 6)	Hung Shui Kiu Yuen Long	Foundation and site formation works	December 2009 – July 2013	10,019	608

BUSINESS

No.	Our customer	Location	Type of works	Project period (Note 1)	Total contract amount (Note 2) (HK\$'000)	Accumulated revenue attributable to construction works services recognised during the Track Record Period (HK\$'000)
5.	Customer E ^(Note 7)	Hong Kong Boundary Crossing Facilities	Foundation and site formation works	September 2014 – April 2015	6,968	6,968
6.	Customer F ^(Note 8)	Hong Kong Boundary Crossing Facilities	Foundation and site formation works	August 2014 – October 2014	3,572	3,572
7.	Customer G ^(Note 9)	Hong Kong International Airport	Builder's work and general building works	August 2011 – September 2013	3,002	529
8.	Customer H ^(Note 10)	Tai Po	Foundation and site formation works	July 2014 – December 2014	1,999	1,999

Notes:

1. The project period covers the duration of our works with reference to the commencement date and the completion date of the relevant project set out in our record, in the payment certificates or final account issued by our customer or their authorized persons, or with reference to the completion record issued by us.
2. The total contract amount means the total of the contract sum and the amount given rise from variation order(s) or the total revenue recognised from the relevant contract.
3. A joint venture established by Customer B and a construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
4. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
5. A well-established construction contractor incorporated and operating in Hong Kong.
6. A construction contractor incorporated and operating in Hong Kong (being subsidiary of a company listed in Hong Kong).
7. A construction contractor incorporated and operating in Hong Kong.
8. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
9. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company headquartered in Germany).
10. A construction contractor incorporated and operating in Hong Kong.

BUSINESS

The following table sets out the details of our on-going construction projects as at 31 May 2016 in descending order based on awarded contract sum.

No.	Our customer	Location	Type of works	Commencement date (Note 1)	Expected completion date	Total contract sum (HK\$'000)	Accumulated revenue attributable to construction works services recognised during the Track Record Period (HK\$'000)	Outstanding contract sum as at 31 May 2016 (HK\$'000)
1.	Customer B ^(Note 2)	Hong Kong international airport	Foundation and site formation works and builder's work and general building works	July 2012	December 2016	264,316	221,378	2,234
2.	Customer I ^(Note 3)	Hong Kong international airport	Foundation and site formation works	November 2014	March 2017	76,573	37,820	38,753
3.	Customer J ^(Note 4)	Tseung Kwan O	Foundation and site formation works	March 2016	January 2017	69,000	15,325	53,675
4.	Customer K ^(Note 5)	Hong Kong Boundary Crossing Facilities	Foundation and site formation works	April 2015	March 2017	62,533	35,133	27,400
5.	Customer L ^(Note 6)	West Kowloon Terminus Station North	Builder's work and general building works	September 2015	February 2017	38,911 ^(Note 8)	26,364	12,547
6.	Customer I ^(Note 3)	Tai Po	Foundation and site formation works	February 2013	February 2017	46,577	46,410	167
7.	Customer M ^(Note 7)	Siu A Chau	Foundation and site formation works	April 2016	January 2017	5,800	1,414	4,386
8.	Customer B ^(Note 2)	Tuen Mun	Builder's work and general building works	April 2016	April 2017	2,834	1,240	1,594

Notes:

1. The commencement date of the relevant project is determined with reference to our record or the payment certificates issued by our customer or their authorized persons.
2. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
3. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in PRC).
4. A construction contractor incorporated and operating in Hong Kong.
5. A well-established construction contractor incorporated and operating in Hong Kong.
6. A joint venture established by a construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Australia) and Customer B.
7. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a well-established construction contractor operating in Hong Kong).

BUSINESS

8. After the Track Record Period, we agreed with Customer L to extend the scope of works and therefore the total contract sum of this project increased to approximately HK\$48.2 million.

The following table sets out the details of our on-going construction projects as at the Latest Practicable Date (which commenced after the Track Record Period) in descending order based on awarded contract sum:

No.	Our customer	Location	Type of works	Commencement date	Expected completion date	Awarded contract sum (HK\$ million)
1.	Customer N ^(Note 1)	Liantang/ Heung Yuen Wai Boundary Control Point	Builder's work and general building works	June 2016	August 2018	58.6
2.	Customer O ^(Note 2)	Hong Kong International Airport	Foundation and site formation works	August 2016	April 2017	6.6

Notes:

1. A construction contractor incorporated and operating in Hong Kong.
2. A construction contractor incorporated and operating in Hong Kong.

We undertake projects in both the public and private sectors. According to the Ipsos Report, public sector projects refer to projects commissioned by the Government (including the Development Bureau, Civil Engineering and Development Department, Drainage Services Department, Environmental Protection Department, Highways Department, Architectural Services Department, Water Services Department and Housing Authority), while private sector projects refer to projects commissioned by individuals, privately owned property development companies and commercial enterprises. During the Track Record Period, our public projects are mostly construction works for public infrastructure such as the Hong Kong-Zhuhai-Macao Corridor and private infrastructure projects such as MTR station and midfield concourse in the Hong Kong International Airport. The following table sets out the proportion of our construction projects in both public and private sectors in terms of revenue recognised during the Track Record Period:

	Revenue recognised for the year ended 31 March 2014 (%)	Revenue recognised for the year ended 31 March 2015 (%)	Revenue recognised for the year ended 31 March 2016 (%)	Revenue recognised for the two months ended 31 May 2016 (%)
Public sector	5.0	44.1	39.8	70.0
Private sector	95.0	55.9	60.2	30.0
Total:	100	100	100	100

BUSINESS

Our construction project duration typically ranges from one year to five years (excluding the defect liability period). As to seasonality, our Directors consider that the work progress of our construction projects would generally be affected during the rainy and typhoon seasons in Hong Kong in around June, July and August, but there is no seasonal fluctuation in receiving tenders or requests for quotations from our customers.

SALES AND MARKETING

During the Track Record Period, our business opportunities for our construction machinery rental service and construction works were awarded by way of quotations and tenders requested by our customers respectively.

Our Directors consider that our relationship with our customers, expertise and reputation in the industry and past project references are the key to securing future projects. Our executive Directors and senior management are generally responsible for maintaining our customers' relationship, and keeping abreast of market developments and potential business opportunities. We believe that we rely on word-of-mouth by our customers to attract new referrals for future projects, and the provision of quality services by us in our projects are the key to the retention of our existing customers.

Our Directors believe that the Listing will be a breakthrough in promoting our Group to the general public, thus further enhance our brand and future business development.

OUR CUSTOMERS

During the Track Record Period, we have provided construction machinery rental services and construction works services to customers who can be broadly classified as main contractors and subcontractors of public and private construction projects in Hong Kong. Apart from individual customers, some of the contracting parties that we enter into agreements with were considered as affiliated entities themselves to which our Directors view them as under the same group. A number of our customers are recurring customers with whom we have established close working relationships and we believe they have a good understanding of our strengths and capabilities. We do not have any long-term contracts with our customers or group customers and our contracts are entered into on a case-by-case basis.

For the three years ended 31 March 2016 and the two months ended 31 May 2016, our top five customers of construction works services were Independent Third Parties, and the total revenue attributable to them amounted to approximately HK\$107.2 million, HK\$150.7 million, HK\$167.8 million and HK\$30.4 million, representing approximately, 99.7%, 98.5%, 99.3% and 95.5% of our total revenue attributable to construction works services, respectively. During the same period, the total revenue attributable to our largest customer of construction works services amounted to approximately HK\$95.4 million, HK\$84.8 million, HK\$81.9 million and HK\$10.0 million, representing approximately 88.7%, 55.4%, 48.5% and 31.4% of our total revenue attributable to construction works services, respectively.

BUSINESS

For the three years ended 31 March 2016 and the two months ended 31 May 2016, our top five customers of construction machinery rental services were Independent Third Parties, and the total revenue attributable to them amounted to approximately HK\$23.3 million, HK\$140.4 million, HK\$152.7 million and HK\$22.6 million, representing approximately, 44.7%, 65.7%, 63.4% and 60.4% of our total revenue attributable to construction machinery rental services, respectively. During the same period, the total revenue attributable to our largest customer of construction machinery rental services amounted to approximately HK\$9.4 million, HK\$83.0 million, HK\$82.6 million and HK\$10.1 million, representing approximately 18.0%, 38.8%, 34.3% and 27.0% of our total revenue attributable to construction machinery rental services, respectively.

As disclosed above, some of our individual customers are considered as affiliated entities themselves and hence our Directors view them as our group customers. For the three years ended 31 March 2016 and the two months ended 31 May 2016, on the basis that all contracts or rental arrangements with related companies are consolidated, among our Group's group customers, the largest group customer accounted for approximately 63.1%, 27.6%, 34.7% and 26.8% of our total revenue, respectively.

None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five customers of construction works services and construction machinery rental services during the Track Record Period.

BUSINESS

The following tables set forth the details of our top five customers of construction works services and construction machinery rental services during the Track Record Period:

For the year ended 31 March 2014

Customer	Background	Services provided	Rank (construction works services)	Approximate % of our total revenue attributable to construction works services	Rank (construction machinery rental services)	Approximate % of our total revenue attributable to construction machinery rental services	Approximate % of our total revenue	Rank (total revenue)	Commencement of business relationship with our Group
Customer B ^(Note 1)	Main contractor	Builder's work and general building works, foundation and site formation work, machinery rental	1	88.7	–	59.8	–	1	Since 2010
Customer P ^(Note 2)	Main contractor/ subcontractor	Machinery rental, foundation and site formation work	–	–	1	18.0	–	2	Since 2006
Customer I ^(Note 3)	Subcontractor	Foundation and site formation work, machinery rental	2	5.0	–	3.4	–	3	Since 2013
Customer A ^(Note 4)	Main contractor	Foundation and site formation work	3	4.9	–	3.3	–	4	Since 2010
Customer F ^(Note 5)	Main contractor	Foundation and site formation work, machinery rental	–	–	2	9.3	–	5	Since 2013
Customer S ^(Note 6)	Subcontractor	Machinery rental	–	–	3	6.8	–	–	Since 2013
Customer K ^(Note 7)	Subcontractor	Foundation and site formation work, machinery rental	–	–	4	5.4	–	–	Since 2009
Customer T ^(Note 8)	Subcontractor	Machinery rental	–	–	5	5.2	–	–	Since 2008

BUSINESS

Customer	Background	Services provided	Rank (construction works services)	Approximate % of our total revenue attributable to construction works services	Rank (construction machinery rental services)	Approximate % of our total revenue attributable to construction machinery rental services	Approximate % of our total revenue	Rank (total revenue)	Commencement of business relationship with our Group
Customer D ^(Note 9)	Main contractor	Foundation and site formation work	4	0.6	-	-	0.4	-	Since 2009
Customer G ^(Note 10)	Subcontractor	Builder's work and general building works	5	0.5	-	-	0.3	-	Since 2011
		Total of top five customers ^(Note 11)		99.7		44.7	75.4		

Notes:

1. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
2. A construction contractor incorporated and operating in Hong Kong.
3. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in PRC).
4. A joint venture established by Customer B and a construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
5. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
6. A construction contractor incorporated and operating in Hong Kong.
7. A well-established construction contractor incorporated and operating in Hong Kong.
8. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
9. A construction contractor incorporated and operating in Hong Kong (being subsidiary of a company listed in Hong Kong).
10. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company headquartered in Germany).
11. The figures and percentages above may not add up to the total due to rounding.

BUSINESS

For the year ended 31 March 2015

Customer	Background	Services provided	Rank (construction works services)	Approximate % of our total revenue attributable to construction works services	Rank (construction machinery rental services)	Approximate % of our total revenue attributable to construction machinery rental services	Approximate % of our total revenue	Rank (total revenue)	Commencement of business relationship with our Group
Customer B ^(Note 1)	Main contractor	Builder's work and general building works, foundation and site formation work, machinery rental	1	55.4	-	1.0	23.7	1	Since 2010
Customer F ^(Note 2)	Main contractor	Foundation and site formation work, machinery rental	5	2.3	1	38.8	23.6	2	Since 2013
Customer I ^(Note 3)	Subcontractor	Foundation and site formation work, machinery rental	2	28.4	-	-	11.8	3	Since 2013
Customer Q ^(Note 4)	Subcontractor	Machinery rental	-	-	2	14.4	8.4	4	Since 2013
Customer C ^(Note 5)	Main contractor/ subcontractor	Foundation and site formation work, machinery rental	3	8.2	-	0.8	3.9	5	Since 2011
Customer U ^(Note 6)	Subcontractor	Operators support	-	-	3	4.8	2.8	-	Since 2013
Customer R ^(Note 7)	Main contractor	Machinery rental	-	-	4	4.6	2.6	-	Since 2014
Customer P ^(Note 8)	Main contractor/ subcontractor	Machinery rental, foundation and site formation work	-	-	5	3.1	1.8	-	Since 2006
Customer E ^(Note 9)	Subcontractor	Foundation and site formation work	4	4.2	-	-	1.7	-	Since 2014
Total of top five customers ^(Note 10)				98.5	-	65.7	71.4	-	

Notes:

1. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
2. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
3. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in PRC).
4. A well-established construction contractor incorporated and operating in Hong Kong.
5. A well-established construction contractor incorporated and operating in Hong Kong.
6. A subcontractor in provision of heavy construction machinery equipment and related parts incorporated and operating in Hong Kong.
7. A joint venture established by Customer B and a construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Australia).
8. A construction contractor incorporated and operating in Hong Kong.
9. A construction contractor incorporated and operating in Hong Kong.
10. The figures and percentages above may not add up to the total due to rounding.

BUSINESS

For the year ended 31 March 2016

Customer	Background	Services provided	Rank (construction works services)	Approximate % of our total revenue attributable to construction works services	Rank (construction machinery rental services)	Approximate % of our total revenue attributable to construction machinery rental services	Approximate % of our total revenue	Rank (total revenue)	Commencement of business relationship with our Group
Customer Q ^(Note 1)	Subcontractor	Machinery rental	–	–	1	34.3	20.2	1	Since 2013
Customer B ^(Note 2)	Main contractor	Builder's work and general building works, foundation and site formation work, machinery rental	1	48.5	–	–	20.0	2	Since 2010
Customer I ^(Note 3)	Subcontractor	Foundation and site formation work, machinery rental	2	18.7	–	–	7.8	3	Since 2013
Customer K ^(Note 4)	Subcontractor	Foundation and site formation work, machinery rental	3	17.3	–	0.5	7.4	4	Since 2009
Customer R ^(Note 5)	Main contractor	Machinery rental	–	–	2	11.7	6.9	5	Since 2014
Customer F ^(Note 6)	Main contractor	Foundation and site formation work, machinery rental	–	–	3	8.4	4.9	–	Since 2013
Customer L ^(Note 7)	Main contractor	Machinery rental, builder's work and general building works	4	11.6	–	3.0	4.8	–	Since 2015
Customer Y ^(Note 8)	Subcontractor	Machinery rental	–	–	4	5.4	3.2	–	Since 2015
Customer W ^(Note 9)	Subcontractor	Machinery rental	–	–	5	3.6	2.1	–	Since 2011

BUSINESS

Customer	Background	Services provided	Rank (construction works services)	Approximate % of our total revenue attributable to construction works services	Rank (construction machinery rental services)	Approximate % of our total revenue attributable to construction machinery rental services	Approximate % of our total revenue attributable to construction machinery rental services	Rank (total revenue)	Commencement of business relationship with our Group
Customer J ^(Note 10)	Subcontractor	Machinery rental, foundation & site formation	5	3.2	-	1.3	-	-	Since 2014
		Total of top five customers ^(Note 11)		99.3	63.4	62.3			

Notes:

1. A well-established construction contractor incorporated and operating in Hong Kong.
2. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
3. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in PRC).
4. A well-established construction contractor incorporated and operating in Hong Kong.
5. A joint venture established by Customer B and a construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Australia).
6. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
7. A joint venture established by a construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Australia) and Customer B.
8. A construction contractor operating in Hong Kong.
9. A transportation and vehicles rental company incorporated and operating in Hong Kong.
10. A construction contractor incorporated and operating in Hong Kong.
11. The figures and percentages above may not add up to the total due to rounding.

BUSINESS

For the two months ended 31 May 2016

Customer	Background	Services provided	Rank (construction works services)	Approximate % of our total revenue attributable to construction works services	Rank (construction machinery rental services)	Approximate % of our total revenue attributable to construction machinery rental services	Approximate % of our total revenue	Rank (total revenue)	Commencement of business relationship with our Group
Customer Q ^(Note 1)	Subcontractor	Machinery rental	-	-	1	27.0	14.6	1	Since 2013
Customer J ^(Note 2)	Subcontractor	Machinery rental, foundation & site formation	1	31.4	-	-	14.4	2	Since 2014
Customer L ^(Note 3)	Main contractor	Machinery rental, builder's work and general building works	2	21.2	4	6.4	13.2	3	Since 2014
Customer K ^(Note 4)	Subcontractor	Foundation and site formation work, machinery rental	3	18.4	-	0.2	8.6	4	Since 2009
Customer R ^(Note 5)	Main contractor	Machinery rental	-	-	2	13.9	7.5	5	Since 2014
Customer B ^(Note 6)	Main contractor	Builder's work and general building works, foundation and site formation work, machinery rental	4	12.7	-	0.4	5.8	-	Since 2010
Customer I ^(Note 7)	Subcontractor	Foundation and site formation work, machinery rental	5	11.9	-	-	5.5	-	Since 2013
Customer X ^(Note 8)	Subcontractor	Machinery rental	-	-	3	8.7	4.7	-	Since 2016
Customer F ^(Note 9)	Main contractor	Foundation and site formation work, machinery rental	-	-	5	4.4	2.4	-	Since 2013
Total of top five customers ^(Note 10)				95.5	-	60.4	58.3		

Notes:

1. A well-established construction contractor incorporated and operating in Hong Kong.
2. A construction contractor incorporated and operating in Hong Kong.
3. A joint venture established by a construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Australia) and Customer B.
4. A well-established construction contractor incorporated and operating in Hong Kong.
5. A joint venture established by Customer B and a construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Australia).
6. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
7. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in PRC).
8. A construction contractor incorporated and operating in Hong Kong.
9. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
10. The figures and percentages above may not add up to the total due to rounding.

BUSINESS

The following tables set out the aggregate revenue attributable to our top five customers of construction works services and construction machinery rental services with their respective affiliated entities, which our Directors view them as group customers during the Track Record Period:

For the year ended 31 March 2014

Customer	Background	Services provided	Approximate % of our total revenue		Rank (total revenue) with our Group	Commencement of business relationship with our Group			
			(construction works services)	attributable to construction machinery rental services					
Customer B ^(Note 1) and its affiliated entities	Main contractor	Builder's work and general building works, foundation and site formation work, machinery rental	1	93.6	-	63.1	1	Since 2010	
Customer P ^(Note 2)	Main contractor/ subcontractor	Machinery rental, foundation and site formation work	-	-	1	18.0	5.9	2	Since 2006
Customer J ^(Note 3)	Subcontractor	Foundation and site formation work, machinery rental	2	5.0	-	-	3.4	3	Since 2013
Customer F ^(Note 4)	Main contractor	Foundation and site formation work, machinery rental	-	-	2	9.3	3.0	4	Since 2013
Customer S ^(Note 5)	Subcontractor	Machinery Rental	-	-	3	6.8	2.2	5	Since 2013
Customer K ^(Note 6)	Subcontractor	Foundation and site formation work, machinery rental	-	-	4	5.4	1.8	-	Since 2009
Customer T ^(Note 7)	Subcontractor	Machinery rental	-	-	5	5.2	1.7	-	Since 2008
Customer D ^(Note 8)	Main contractor	Foundation and site formation work	3	0.6	-	-	0.4	-	Since 2009
Customer G ^(Note 9)	Subcontractor	Builder's work and general building works	4	0.5	-	-	0.3	-	Since 2011
Customer Y ^(Note 10)	Main contractor	Builder's work and general building works	5	0.3	-	-	0.2	-	Since 2013
Total of top five customers ^(Note 11)				100		44.7	77.6		

Notes:

1. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
2. A construction contractor incorporated and operating in Hong Kong.
3. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in PRC).
4. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
5. A construction contractor incorporated and operating in Hong Kong.
6. A well-established construction contractor incorporated and operating in Hong Kong.
7. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
8. A construction contractor incorporated and operating in Hong Kong (being subsidiary of a company listed in Hong Kong).
9. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company headquartered in Germany).
10. A well-established construction contractor incorporated and operating in Hong Kong.
11. The figures and percentages above may not add up to the total due to rounding.

BUSINESS

For the year ended 31 March 2015

Customer	Background	Services provided	Approximate % of our total revenue		Approximate % of our total revenue		Rank (total revenue) with our Group	Commencement of business relationship with our Group	
			Rank (construction works services)	attributable to construction works services	Rank (construction machinery rental services)	attributable to construction machinery rental services			
Customer B ^(Note 1) and its affiliated entities	Main contractor	Builder's work and general building work, foundation and site formation work, machinery rental	1	55.4	3	7.8	27.6	1	Since 2010
Customer F ^(Note 2)	Main contractor	Foundation and site formation work, machinery rental	5	2.3	1	38.8	23.6	2	Since 2013
Customer I ^(Note 3)	Subcontractor	Foundation and site formation work, machinery rental	2	28.4	-	-	11.8	3	Since 2013
Customer Q ^(Note 4) and its affiliated entities	Subcontractor	Machinery rental	-	-	2	14.4	8.4	4	Since 2013
Customer C ^(Note 5)	Main contractor/ subcontractor	Foundation and site formation work, machinery rental	3	8.2	-	0.8	3.9	5	Since 2011
Customer U ^(Note 6)	Subcontractor	Operators support	-	-	4	4.8	2.8	-	Since 2013
Customer P ^(Note 7)	Main contractor/ subcontractor	Machinery rental, foundation and site formation work	-	-	5	3.1	1.8	-	Since 2006
Customer E ^(Note 8)	Subcontractor	Foundation and site formation works	4	4.2	-	-	1.7	-	Since 2014
		Total of top five customers ^(Note 9)		98.5		68.9	75.3		

Notes:

1. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
2. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
3. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in PRC).
4. A well-established construction contractor incorporated and operating in Hong Kong.
5. A well-established construction contractor incorporated and operating in Hong Kong.
6. A subcontractor in provision of heavy construction machinery equipment and related parts incorporated and operating in Hong Kong.
7. A construction contractor incorporated and operating in Hong Kong.
8. A construction contractor incorporated and operating in Hong Kong.
9. The figures and percentages above may not add up to the total due to rounding.

BUSINESS

For the year ended 31 March 2016

Customer	Background	Services provided	Rank (construction works services)	Approximate % of our total revenue attributable to construction works services	Rank (construction machinery rental services)	Approximate % of our total revenue attributable to construction machinery rental services	Approximate % of our total revenue	Rank (total revenue)	Commencement of business relationship with our Group
Customer B ^(Note 1) and its affiliated entities	Main contractor	Builder's work and general building work, foundation and site formation work, machinery rental	1	60.1	2	16.7	34.7	1	Since 2010
Customer Q ^(Note 2) and its affiliated entities	Subcontractor	Machinery rental	-	-	1	35.9	21.1	2	Since 2013
Customer J ^(Note 3)	Subcontractor	Foundation and site formation work, machinery rental	2	18.7	-	-	7.8	3	Since 2013
Customer K ^(Note 4)	Subcontractor	Foundation and site formation work, machinery rental	3	17.3	-	0.5	7.4	4	Since 2009
Customer F ^(Note 5)	Main contractor	Foundation and site formation work, machinery rental	-	-	3	8.4	4.9	5	Since 2013
Customer V ^(Note 6)	Subcontractor	Machinery rental	-	-	4	5.4	3.2	-	Since 2015
Customer W ^(Note 7)	Subcontractor	Machinery rental	-	-	5	3.6	2.1	-	Since 2011
Customer J ^(Note 8)	Subcontractor	Machinery rental, foundation & site formation	4	3.2	-	-	1.4	-	Since 2014
Customer E ^(Note 9)	Subcontractor	Foundation and site formation works	5	0.3	-	-	0.1	-	Since 2014
		Total of top five customers ^(Note 10)		99.6		70.0	75.9		

Notes:

1. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
2. A well-established construction contractor incorporated and operating in Hong Kong.
3. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in PRC).
4. A well-established construction contractor incorporated and operating in Hong Kong.
5. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
6. A construction contractor operating in Hong Kong.
7. A transportation and vehicles rental company incorporated and operating in Hong Kong.
8. A construction contractor incorporated and operating in Hong Kong.
9. A construction contractor incorporated and operating in Hong Kong.
10. The figures and percentages above may not add up to the total due to rounding.

BUSINESS

For the two months ended 31 May 2016

Customer	Background	Services provided	Approximate % of our total revenue		Approximate % of our total revenue		Rank (total revenue) with our Group	Commencement of business relationship with our Group	
			Rank (construction works services)	attributable to construction works services	Rank (construction machinery rental services)	attributable to construction machinery rental services			
Customer B ^(Note 1) and its affiliated entities	Main contractor	Builder's work and general building work, foundation and site formation work, machinery rental	1	33.9	2	20.7	26.8	1	Since 2010
Customer Q ^(Note 2) and its affiliated entities	Subcontractor	Machinery rental	-	-	1	35.8	19.3	2	Since 2013
Customer J ^(Note 3)	Subcontractor	Machinery rental, foundation & site formation	2	31.4	-	-	14.4	3	Since 2014
Customer K ^(Note 4)	Subcontractor	Foundation and site formation work, machinery rental	3	18.4	-	0.2	8.5	4	Since 2009
Customer I ^(Note 5)	Subcontractor	Foundation and site formation work, machinery rental	4	11.9	-	-	5.5	5	Since 2013
Customer X ^(Note 6)	Subcontractor	Machinery rental	-	-	3	8.7	4.7	-	Since 2016
Customer F ^(Note 7)	Main contractor	Foundation and site formation work, machinery rental	-	-	4	4.4	2.4	-	Since 2013
Customer M ^(Note 8)	Subcontractor	Foundation and site formation works	5	4.4	-	-	2.0	-	Since 2016
Customer Z ^(Note 9)	Subcontractor	Machinery rental	-	-	5	3.8	2.0	-	Since 2014
		Total of top five customers ^(Note 10)		100		73.4	74.5		

Notes:

1. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Singapore).
2. A well-established construction contractor incorporated and operating in Hong Kong.
3. A construction contractor incorporated and operating in Hong Kong.
4. A well-established construction contractor incorporated and operating in Hong Kong.
5. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in PRC).
6. A construction contractor incorporated and operating in Hong Kong.
7. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a company listed in Hong Kong).
8. A construction contractor incorporated and operating in Hong Kong (being a subsidiary of a well-established construction contractor operating in Hong Kong).
9. A construction contractor incorporated and operating in Hong Kong.
10. The figures and percentages above may not add up to the total due to rounding.

BUSINESS

Inter-relationship between our customers, suppliers and subcontractors

During the Track Record Period, some of our major customers had provided repair and maintenance services and sold scrap construction materials to us and therefore they were also our suppliers during the same period. The cost of purchases/services payable by us to the respective customers would be settled by means of payment without setting off the amount payable to us by the respective customers.

During the Track Record Period, we provided construction machinery rental services and/or foundation and site formation works as a subcontractor to Customer Q, Customer F and Customer C and each of which was also our supplier.

Our turnover with Customer Q for each of the three years ended 31 March 2016 and the two months ended 31 May 2016 amounted to approximately HK\$1.0 million, HK\$30.8 million, HK\$82.6 million and HK\$10.1 million, representing approximately 0.6%, 8.4%, 20.2% and 14.6% of our total turnover for the corresponding periods, respectively. During the Track Record Period, Customer Q provided repairing work for our construction machines deployed at the construction site for a particular project as Customer Q had a repairing centre in close proximity. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, the repair and maintenance cost paid to Customer Q amounted to approximately nil, HK\$1.3 million, HK\$0.07 million and nil, representing approximately nil, 0.4%, 0.02% and nil of our total cost of services, respectively. The terms of analogous services provided to Customer Q were similar to those we made with other customers. The average gross profit margin for machinery rental services with Customer Q was approximately 11.7%, 12.4%, 13.8% and 6.4% for the three years ended 31 March 2016 and the two months ended 31 May 2016, respectively.

Our turnover with Customer F for each of the three years ended 31 March 2016 and the two months ended 31 May 2016 amounted to approximately HK\$4.9 million, HK\$86.6 million, HK\$20.2 million and HK\$1.6 million, representing approximately 3.0%, 23.6%, 4.9% and 2.4% of our total turnover for the corresponding periods, respectively. During the Track Record Period, Customer F sold scrap construction materials to us which we then resold for profits. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, the purchase costs paid to Customer F amounted to approximately HK\$0.7 million, HK\$0.7 million, nil and nil, representing approximately 0.5%, 0.2%, nil and nil of our total cost of services, respectively. The terms of analogous services provided to Customer F were similar to those we made with other customers. The average gross profit margin for construction projects and machinery rental services with Customer F was approximately 7.6%, 17.7%, 11.7% and 7.8% for the three years ended 31 March 2016 and the two months ended 31 May 2016, respectively.

Our turnover with Customer C for each of the three years ended 31 March 2016 and the two months ended 31 May 2016 amounted to approximately HK\$0.01 million, HK\$14.2 million, HK\$0.06 million and nil, representing approximately 0.01%, 3.9%, 0.02% and nil of our total turnover for the corresponding periods, respectively. During the Track Record Period, Customer C sold scrap construction materials to us which we then resold for profits. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, the purchase costs paid to Customer C amounted to approximately nil, HK\$0.6 million, HK\$0.08 million and nil, representing approximately nil, 0.2%, 0.02% and nil of our total cost of services, respectively. The terms of analogous services provided to Customer C were similar to those we

made with other customers. The average gross profit margin for construction projects and machinery rental services with Customer C is approximately 9.6%, 14.2%, 21.2% and nil for the three years ended 31 March 2016 and the two months ended 31 May 2016, respectively.

Contra-charge arrangement with our customers

During the Track Record Period, we had contra-charge arrangements with some of our customers. Such contra-charge included the provision of training courses by our customers and the purchase cost of certain construction materials used in a construction project. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, the total contra-charge to our customer, which was accounted for as part of cost of services, amounted to HK\$1.4 million, HK\$4.2 million, HK\$3.0 million and HK\$859 respectively.

The training courses provided by our customers are generally mandatory for all workers before the commencement of work at the relevant construction site of a project and some of our customers will charge us for such training courses. For some of our construction projects, we may purchase certain construction materials from our customers and/or the main contractors. Such purchase cost are settled by way of contra-charge to the account with such customer and/or main contractor, in the sense that the payments due to us from our customer and/or the main contractor will be settled after netting off such purchase cost.

Major terms of our contracts

Rental of construction machinery

We would regularly receive requests for quotations from our customers for our machinery rental services. In general, our rental services are either project based whereby our customer will generally rent our construction machinery throughout their construction projects after obtaining the initial price quotation or on a case-by-case basis which are non-recurring in nature. We did not enter into any long-term contracts with any of our rental customers during the Track Record Period and up to the Latest Practicable Date. The rental arrangements we have with our customers vary from project to project, and are generally verbal contracts for smaller scale rental arrangements or based on the quotation provided to our customers which specifies our major terms for the rental arrangements (other than the rental period), subject to further negotiations by the parties on the particular terms therein. Our Directors consider that it is the industry practice for construction machinery rental arrangements to be verbally agreed and it is our Group's practice to limit such verbal contracts to the smaller scale rental arrangements to minimise potential argument and conflicts with our customers on the rental terms and maintain flexibility with our customers at the same time. Verbal contracts are legally binding and enforceable. We ensure the enforceability of such verbal contracts by ensuring that our customers acknowledges the construction machinery deployed at their construction site and our machines operator keeps a record for such rental arrangement which is signed by our customer as acknowledgement. The customer, by conduct has established the relationship of the verbal contract. We have an internal policy to review the credibility of our existing rental customer and we will not rent to customers with poor credibility. Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, our Group has not had any material dispute with its customers in relation to the terms of any rental arrangements and our Group has no plans to change its mode of operation in the future. The major terms of our rental services can be summarised below:

BUSINESS

Major terms	Description																				
Rental period	We provide a flexible rental period and our construction machinery are available for daily or monthly rental arrangements. Our rental period are not committed by our customers at the commencement of the rental period, and generally ranges from 1 month to 4 months.																				
Pricing	We would specify the rental price of our construction machinery with or without machine operator/driver depending on the request by our customers. Rental price are charged on a daily or monthly rate. The monthly average rental price range for our machinery are set out below: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Machinery</th> <th style="text-align: left;">Monthly average rental price range</th> </tr> </thead> <tbody> <tr> <td>Excavator</td> <td>HK\$63,100 to HK\$89,700</td> </tr> <tr> <td>Loader</td> <td>HK\$26,400 to HK\$111,700</td> </tr> <tr> <td>Bulldozer</td> <td>HK\$56,400 to HK\$196,100</td> </tr> <tr> <td>Dump truck</td> <td>HK\$71,000 to HK\$127,900</td> </tr> <tr> <td>Compactor</td> <td>HK\$32,900 to HK\$45,100</td> </tr> <tr> <td>Special purpose vehicle</td> <td>HK\$37,100 to HK\$50,600</td> </tr> <tr> <td>Mobile crane</td> <td>HK\$19,200 to HK\$93,600</td> </tr> <tr> <td>Lorry crane</td> <td>HK\$73,200 to HK\$141,700</td> </tr> <tr> <td>Tipper</td> <td>HK\$73,000 to HK\$128,100</td> </tr> </tbody> </table>	Machinery	Monthly average rental price range	Excavator	HK\$63,100 to HK\$89,700	Loader	HK\$26,400 to HK\$111,700	Bulldozer	HK\$56,400 to HK\$196,100	Dump truck	HK\$71,000 to HK\$127,900	Compactor	HK\$32,900 to HK\$45,100	Special purpose vehicle	HK\$37,100 to HK\$50,600	Mobile crane	HK\$19,200 to HK\$93,600	Lorry crane	HK\$73,200 to HK\$141,700	Tipper	HK\$73,000 to HK\$128,100
Machinery	Monthly average rental price range																				
Excavator	HK\$63,100 to HK\$89,700																				
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Lorry crane	HK\$73,200 to HK\$141,700																				
Tipper	HK\$73,000 to HK\$128,100																				
Transportation service	We would specify the transportation service fee for our construction machines if such service is requested by our customers.																				
Payment	We generally provide our customers with an invoice, on a monthly basis and we generally give our customer a credit period of 30-60 days after issuance of our invoice.																				
Customers' Obligations	We provide maintenance services for the normal wear and tear of our construction machinery, but exclude responsibility for any damages to the components of the machinery caused by misuse or human negligence. Any additional repairing charges required would be stated in the invoice issued to our customers.																				

BUSINESS

Construction works

From time to time, we receive requests for invitations to tender from our customers. In general, construction projects are awarded to us on a case-by-case basis and are non-recurring in nature. We did not enter into any long-term contracts with any of our construction customers during the Track Record Period and up to the Latest Practicable Date. The contracts we enter into with our customers vary from project to project, and are generally based on the standard forms provided by our customers subject to further negotiations by the parties. The major terms of our contracts can be summarised as below:

Major subcontract terms	Description
Project information	Project information generally includes a description of the construction site and a general description of the required work to be performed.
Bills of quantities/Schedule of Rates	Description of the type of work to be performed with its specification, the quantity, the unit price and the contract sum.
Contract period	The period within which the project has to be completed which typically runs from one year to five years depending on the complexity of the scope of work to be performed.
Types and scope of works	We generally perform construction works such as earthworks, ELS works, builder's works and general building works.
Variation Orders	We generally provide additional or variation work that is beyond the scope of our subcontract according to a pre-agreed rate or by a subsequent quotation to our customers.
Terms of payment	We generally provide our customers with an invoice, on a monthly basis, containing a written account of the value of all work properly done under the subcontract and it generally takes around four weeks to receive the certified amount thereafter. Please also refer to the section headed "Business – Business Model and Our Operation – Construction works – 3. Commencement of construction work – (ii) Customer inspection and acceptance and progress payment" in this prospectus.

BUSINESS

Liquidated damages	If we fail to complete the subcontract works within the due date, we may, subject to the rights for time extension, be required to compensate our customers according to certain damages calculating mechanism as stipulated under the subcontracts.
Defect liability period	We are required to remedy any defects or imperfections discovered in relation to our works done for certain period after completion of our subcontract work. Please also refer to the section headed “Business – Business Model and our Operation – Construction works – 5. Defect liability period” in this prospectus.
Retention monies	Our customers are usually entitled to withhold approximately 10% of each progress payment due to us as retention monies, but the total amount of retention monies shall not exceed approximately 5% of the total sum of the subcontracts. Please also refer to the section headed “Business – Business Model and our Operation – Construction works – 4. Completion of construction works and retention monies” in this prospectus.
Insurance	The accidents and injuries of our employees and our subcontractors in the work site are covered by the insurance policy maintained by the main contractor of the construction project. As to our construction machinery in the work site, we are required to maintain our own insurance policy. Please also refer to the section headed “Business – Insurance” in this prospectus.
Guarantees and performance bonds	We may be required by our customers to provide guarantees or performance bonds, in prescribed forms, to ensure our due performance of subcontracts.

Our customers for both business segments generally settle the payment by cheque. For discussion of our trade receivable turnover days during the Track Record Period, please refer to the section headed “Financial Information – Discussion of Certain Key Balance Sheet Items – Trade and retention receivables” in this prospectus.

Our Directors confirmed that we had stable long-term relationship with our customers and had no material dispute with our customers in respect of the rental arrangements or construction projects awarded to us during the Track Record Period.

BUSINESS

OUR SUPPLIERS

Our suppliers include our subcontractors, lessors of machinery for our sub-leased machinery, repair and maintenance service providers for our construction machinery and suppliers of consumables such as spare parts and diesel fuel for our operations. For details of our subcontracting arrangement, please refer to the section headed “Business – Our Suppliers – Subcontracting” in this prospectus.

We generally order the consumables or required services on a project-by-project basis and we did not enter into any long-term contract with our suppliers. The price is determined by reference to a pre-agreed quotation subject to fluctuations and delivery date as agreed by the parties on an order-by-order basis.

The terms of our supply contract generally include the type of consumables or services required, the price, the quantity of consumables/duration of service and the payment terms. We select our suppliers from our approved supplier list based on factors including the (i) quality of product/services; (ii) delivery time; (iii) previous working experience with the supplier; and (iv) reputation of the supplier. We generally do not provide the construction materials required for our projects unless otherwise stated in the agreement with our customers and our rate generally does not include the costs of construction materials.

We adopt a “pay when paid” policy with our suppliers which is a liquidity management policy of our Group to strengthen our liquidity position and we generally pay our suppliers after collection of payments from our customers. According to the Ipsos Report, the “pay when paid” practice is a common practice in the construction industry. Nevertheless, the proposed SOPL for the construction industry would result in the “pay when paid” clauses to become ineffective and unenforceable. For more discussion on the risk factor in relation to the proposed SOPL, please refer to the section headed “Risk Factors – Risks Relating to the Industry in which We Operate – If the proposed security of payment legislation (the “SOPL”) for the construction industry comes into force, it might result in adverse impact on our Group’s liquidity and operation” in this prospectus.

Assuming all other variables remained constant, the following sensitivity analysis illustrates the impact of hypothetical scenarios in our trade receivables and trade payables on our overall working capital during the Track Record Period in the anticipation of the proposed SOPL would have come into effect – that is “pay when paid” practice from our customers and against our suppliers will not be effective or enforceable. The cash inflow from our trade receivables are assumed to be the amount past due but not impaired for each of the three years ended 31 March 2016 and the two months ended 31 May 2016. The cash outflow to our trade payables are assumed to be the amount of the trade payables over 60 days based on the invoice date and credit periods offered by our suppliers in general for each of the three years ended 31 March 2016 and the two months ended 31 May 2016.

BUSINESS

	As at 31 March			As at 31 May
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivable past due				
but not impaired	24,621	46,916	87,429	83,362
Trade payables over 60 days	<u>(1,564)</u>	<u>(2,664)</u>	<u>(17,078)</u>	<u>(20,712)</u>
 Net cash inflow	 <u>23,057</u>	 <u>44,252</u>	 <u>70,351</u>	 <u>62,650</u>

Our Directors are of the view that when the proposed SOPL comes into effect, it will not have material adverse impact on our liquidity management as the proposed SOPL will not only affect our trade payables (cash outflow), but will also favour the collectability of our trade receivables (cash inflow), resulting in an effect of net cash inflow to our Group after all as illustrated in the analysis above.

In response to the proposed SOPL, our Group has also strengthened our liquidity management policy by establishing an internal control to monitor the aging analysis of both trade receivables and payables at the end of each month. The aging analysis of both trade receivables and payables will be submitted to the management monthly for review and approval.

For the trade receivables past due, material overdue payments are monitored continuously and evaluated on a case-by-case basis with appropriate follow-up actions based upon the customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the general economic environment. Follow-up actions to recover overdue trade receivables include (i) active communications with the customers' appropriate personnel such as the relevant department responsible for processing payments; (ii) review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts; and (iii) seeking legal advice when necessary.

For our trade payables management, we will adhere to the following to ensure timely payment to our suppliers: (i) preparation and approval of the payment requisition form for payment once the invoice is received; (ii) monthly review of trade payable aging analysis; and (iii) for any outstanding payables, investigation and settlement should be performed unless being informed by suppliers or there are special circumstances.

If any receivables past due cannot be recouped and if our Group did not possess sufficient working capital to pay to our suppliers on a timely basis, our Group will need to make use of the unutilised banking facilities to pay our suppliers. As such, our Group intends to strengthen our cash position by evaluating the sufficiency of the working capital regularly. We will put forward the follow-up actions such as purchasing less construction machinery or extending the credit line as back up plan when necessary, to ensure sufficient working capital in times of vast amount of receivables past due cannot be recouped.

BUSINESS

During the Track Record Period, we did not experience shortage of any consumables or delay in the supply of consumables or services that we required. Our Directors consider that the possibility of shortage or delay in the supply of such consumables or services is low given the abundance of suppliers providing similar consumables/services in the market. In addition, we did not experience any material fluctuation of prices of consumables or services that we required during the Track Record Period. Our Directors believe we are able to pass on any increase in direct costs to our customers as we generally take into account our overall costs in the schedule of rates when preparing our tender or quotation.

During the Track Record Period, most of our major suppliers are located in Hong Kong and all of our purchases are denominated in HK dollars. The credit terms granted by our suppliers range from 0 to 60 days and we generally settle our payment by cheque.

For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, our top five suppliers (excluding subcontractors) were Independent Third Parties, and our total cost of services attributable to them amounted to approximately HK\$25.2 million, HK\$59.1 million, HK\$53.6 million and HK\$10.0 million, representing approximately 20.5%, 18.7%, 15.6% and 16.2% of our total cost of services, respectively. During the same period, our cost of services attributable to our largest supplier (excluding subcontractors) amounted to approximately HK\$6.1 million, HK\$20.5 million, HK\$14.8 million and HK\$5.9 million, representing approximately 4.9%, 6.5%, 4.3% and 9.6% of our total cost of services, respectively. None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five suppliers during the Track Record Period.

BUSINESS

The following tables set forth the details of our top five suppliers (excluding subcontractors) during the Track Record Period:

For the year ended 31 March 2014

Supplier	Background	Types of goods/services provided by our supplier	Approximate % of our cost of services	Commencement of business relationship with our Group
Supplier A ^(Note 1)	Construction machinery maintenance company	Spare parts	4.9	Since 2008
Supplier B ^(Note 2)	Construction machinery transportation company	Vehicle rental	4.9	Since 2008
Supplier C ^(Note 3)	Construction machinery maintenance company	Spare parts	3.8	Since 2012
Supplier D ^(Note 4)	Fuel/diesel company	Diesel fuel	3.8	Since 2013
Supplier E ^(Note 5)	Construction machinery maintenance company	Repair and maintenance	3.1	Since 2003

Notes:

1. A machinery parts distributor established and operating in PRC.
2. A machinery transportation company established and operating in Hong Kong.
3. A machinery parts distributor established and operating in PRC.
4. A fuel trading company established and operating in Hong Kong.
5. A machinery repairing and maintenance company established and operating in Hong Kong.

BUSINESS

For the year ended 31 March 2015

Supplier	Background	Types of goods/services provided by our supplier	Approximate % of our cost of services	Commencement of business relationship with our Group
Supplier F ^(Note 1)	Construction machinery rental company	Subcontracting services and vehicle rental	6.5	Since 2011
Supplier E ^(Note 2)	Construction machinery maintenance company	Repair and maintenance	3.6	Since 2003
Supplier B ^(Note 3)	Construction machinery transportation company	Vehicle rental	3.3	Since 2008
Supplier D ^(Note 4)	Fuel/diesel company	Diesel fuel	2.8	Since 2013
Supplier C ^(Note 5)	Construction machinery maintenance company	Spare parts	2.5	Since 2012

Notes:

1. A transportation and vehicles rental company incorporated and operating in Hong Kong.
2. A machinery repairing and maintenance company established and operating in Hong Kong.
3. A construction machinery parts distributor established and operating in PRC.
4. A fuel trading company established and operating in Hong Kong.
5. A machinery parts distributor established and operating in PRC.

BUSINESS

For the year ended 31 March 2016

Supplier	Background	Types of goods/services provided by our supplier	Approximate % of our cost of services	Commencement of business relationship with our Group
Supplier B ^(Note 1)	Construction machinery transportation company	Vehicle rental	4.3	Since 2008
Supplier A ^(Note 2)	Contraction machinery maintenance company	Spare parts	3.8	Since 2008
Supplier G ^(Note 3)	Contraction machinery maintenance company	Repair and maintenance	3.0	Since 2013
Supplier C ^(Note 4)	Construction machinery maintenance company	Spare parts	2.4	Since 2012
Supplier H ^(Note 5)	Construction machinery transportation company	Vehicle rental	2.1	Since 2015

Notes:

1. A machinery transportation company established and operating in Hong Kong.
2. A machinery parts distributor established and operating in PRC.
3. A subcontractor in provision of heavy construction machinery equipment and related parts incorporated and operating in Hong Kong.
4. A machinery parts distributor established and operating in PRC.
5. A machinery transportation company established and operating in Hong Kong.

BUSINESS

For the two months ended 31 May 2016

Supplier	Background	Types of goods/services provided by our supplier	Approximate % of our cost of services	Commencement of business relationship with our Group
Supplier B ^(Note 1)	Construction machinery transportation company	Vehicle rental	9.6	Since 2008
Supplier E ^(Note 2)	Contraction machinery maintenance company	Repair and maintenance	2.1	Since 2003
Supplier D ^(Note 3)	Fuel/diesel company	Diesel fuel	1.8	Since 2013
Supplier H ^(Note 4)	Construction machinery transportation company	Vehicle rental	1.6	Since 2015
Supplier I ^(Note 5)	Construction machinery transportation company	Vehicle rental	1.1	Since 2014

Notes:

1. A machinery transportation company established and operating in Hong Kong.
2. A machinery repairing and maintenance company established and operating in Hong Kong.
3. A fuel trading company established and operating in Hong Kong.
4. A machinery transportation company established and operating in Hong Kong.
5. A machinery transportation company established and operating in Hong Kong.

Subcontracting

Depending on our capability and resources level, we may subcontract specific parts of a project such as certain ELS works and general building works to our subcontractors. Save for such specific parts of a project, we usually carry out the works by our employees. With the support of the Ipsos Report, our Directors confirmed that multilayer subcontracting is a common practice in the construction industry in Hong Kong. Some of our subcontracts may state that we are entitled to subcontract our works with the consent of our customers. Although some subcontracts do not contain similar terms, we are not prohibited from subcontracting under those subcontracts. For those construction works projects which we subcontracted out during the Track Record Period, our Directors confirmed that the relevant customers allowed us to do so.

We generally select our subcontractors from our approved subcontractor list and invite the relevant subcontractors for quotation. The major contract terms with our subcontractors generally include: (i) scope of the subcontract work; (ii) price or unit price, as the case may be, of the subcontract work; (iii) payment terms; and (iv) retention monies, if any. In general, the duration of our subcontracting and the quality requirements as to the subcontract work are the same as those in the subcontracts that we agreed with our customers. We are generally entitled to terminate our subcontracts when our subcontractors materially breach and/or fail to perform their obligations under the subcontracts. Further, our subcontractors generally require us to arrange with the main contractors to ensure the employees' compensation insurance and contractor's all risks insurance cover their employees.

Pursuant to the subcontract with our customers, we generally have to bear responsibilities in respect of the defective works and/or delays in works of our subcontractors. As such, our Directors consider that a stringent selection for our subcontractors is necessary. We maintain an internally approved list of subcontractors, which will be subject to our regular review based on a number of factors, including: (i) obedience to instructions; (ii) timely delivery of work ; (iii) quality of work performed; (iv) safety and environmental compliance; and (v) overall performance.

For each of the three years ended 31 March 2016 and the two months ended 31 May 2016 the total cost in engaging our subcontractors amounted to approximately HK\$18.8 million, HK\$55.5 million, HK\$65.6 million and HK\$15.8 million, representing approximately 15.3%, 17.6%, 19.1% and 25.9% of our cost of services, respectively. For the same periods, the cost in engaging our top five subcontractors amounted to approximately HK\$16.2 million, HK\$30.7 million, HK\$59.7 million and HK\$13.7 million respectively, representing approximately 13.2%, 9.8%, 17.4% and 22.3% of our total cost of services, respectively.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our subcontracts due to material difficulties in identifying or engaging the required subcontractors.

Our subcontractors generally grant us credit period of 7 days to 30 days for settling their invoices and we generally settle the payment by cheque. Our Directors considered that we had stable long-term relationship with our subcontractors and confirmed that we had no material dispute with our subcontractors in respect of the projects awarded to them during the Track Record Period. Save for Chung Luen Machinery Engineering Limited ("Chung Luen"), none of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five subcontractors during the Track Record Period. Please refer to the section headed "Relationship with Our Controlling Shareholders - Excluded Business of Our Group" for further information about Chung Luen.

The following tables set forth the details of our top five subcontractors during the Track Record Period:

For the year ended 31 March 2014

Subcontractor	Background	Types of subcontracting works performed	Approximate % of our cost of services	Commencement of business relationship with our Group
Subcontractor A	A construction subcontractor incorporated and operating in Hong Kong	Steel work	7.7	Since 2008
Subcontractor B	A construction subcontractor incorporated and operating in Hong Kong	Labour supply	3.7	Since 2010
Subcontractor C	A construction subcontractor incorporated and operating in Hong Kong	Rebaring fixing	0.8	Since 2014

BUSINESS

Subcontractor	Background	Types of subcontracting works performed	Approximate % of our cost of services	Commencement of business relationship with our Group
Subcontractor D	A construction subcontractor established and operating in Hong Kong	Transportation work	0.5	Since 2013
Subcontractor E	A construction subcontractor established and operating in Hong Kong	Labour supply	0.5	Since 2014

For the year ended 31 March 2015

Subcontractor	Background	Types of subcontracting works performed	Approximate % of our cost of services	Commencement of business relationship with our Group
Subcontractor B	A construction subcontractor incorporated and operating in Hong Kong	Labour supply	4.0	Since 2010
Subcontractor F	A well-established construction subcontractor incorporated and operating in Hong Kong	Waling and struffing work	3.0	Since 2014
Subcontractor A	A construction subcontractor incorporated and operating in Hong Kong	Steel work	1.2	Since 2008

BUSINESS

Subcontractor	Background	Types of subcontracting works performed	Approximate% of our cost of services	Commencement of business relationship with our Group
Subcontractor G	A construction subcontractor incorporated and operating in Hong Kong	Shortcrete	1.0	Since 2014
Chung Luen	A construction subcontractor incorporated and operating in Hong Kong	Waling and struffing work	0.6	Since 2015

For the year ended 31 March 2016

Subcontractor	Background	Types of subcontracting works performed	Approximate% of our cost of services	Commencement of business relationship with our Group
Subcontractor B	A construction subcontractor incorporated and operating in Hong Kong	Labour supply	8.6	Since 2010
Subcontractor F	A well-established construction subcontractor incorporated and operating in Hong Kong	Waling and struffing work	5.6	Since 2014
Subcontractor I	A construction subcontractor incorporated and operating in Hong Kong	Transportation work	1.2	Since 2013

BUSINESS

Subcontractor	Background	Types of subcontracting works performed	Approximate% of our cost of services	Commencement of business relationship with our Group
Subcontractor J	A construction subcontractor established and operating in Hong Kong	Labour supply	1.2	Since 2014
Subcontractor K	A construction subcontractor established and operating in Hong Kong	Formboard erecting	0.8	Since 2015

For the two months ended 31 May 2016



Subcontractor	Background	Types of subcontracting works performed	Approximate% of our cost of services	Commencement of business relationship with our Group
Subcontractor I	A construction subcontractor incorporated and operating in Hong Kong	Transportation work	10.9	Since 2013
Subcontractor F	A well-established construction subcontractor incorporated and operating in Hong Kong	Waling and struffing work	4.8	Since 2014
Subcontractor J	A construction subcontractor incorporated and operating in Hong Kong	Labour supply	2.2	Since 2014

BUSINESS




Subcontractor	Background	Types of subcontracting works performed	Approximate% of our cost of services	Commencement of business relationship with our Group
Subcontractor B	A construction subcontractor incorporated and operating in Hong Kong	Labour supply	2.2	Since 2010
Subcontractor K	A construction subcontractor established and operating in Hong Kong	Formboard erecting	2.2	Since 2015

OUR MACHINERY





We rely on our construction machinery for both our operating segments. We have sourced new and used construction machinery from dealers of manufacturers located in Japan, Korea, US, Germany and PRC. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, we maintained over 250, 350, 400 and 400 construction machinery in our machinery fleet. As at the Latest Practicable Date, our major construction machinery are set out below:

Photo	Machinery	Number	Function and usage
	Excavator	249	Excavators are used for a variety of works including digging of trenches, holes and foundation, material handling, general grading and landscaping and river dredging lifting when used in conjunction with other attachment.
	Loaders	28	Loaders are versatile mobile shovels that are used to transfer materials such as asphalt, demolition debris, dirt, gravel, rock or sand from stockpiles to trucks or transport materials around job sites.

BUSINESS

Photo	Machinery	Number	Function and usage
	Bulldozer	11	Bulldozers are used for shallow digging and ditching, short-range transportation of material, spreading soil dumped from trucks, rough grading, removing trees, stumps and boulders; and cleaning and levelling around loading equipment.
	Dump truck	14	Dump trucks are used for transporting loose material such as sand, gravel or dirt.
	Compactor	8	Compactors are used for various purposes including compacting crushed rock as the base layer underneath concrete, stone foundations or slabs; creating a level grade and compacting the backfill in narrow trenches for water or gas supply pipes.
	Mobile Crane	10	Mobile cranes generally operate a boom from the end of which a hook is suspended by wire rope and sheaves and are widely used for lifting operations.
	Lorry crane	19	Lorry crane is typically a truck or trailer fitted with a hydraulically-powered articulated arm for loading/unloading things.

BUSINESS

Photo	Machinery	Number	Function and usage
	Tractor	8	Tractor are engineering vehicles specifically designed to deliver a high tractive effort at slow speeds, for the purposes of hauling a trailer or machinery.
	Semi-trailer	13	Semi-trailer is usually attached to a tractor for carrying freight.
	Tipper	28	Tippers are used for transporting loose material such as sand, gravel or dirt for construction.
	Van	11	Vans are used for transporting goods and equipment.

BUSINESS

The following table sets forth the machinery hours used in our Group's construction projects and for construction machinery rental during the Track Record Period:

	For the year ended 31 March				For the two months ended							
	2014		2015		2016		31 May 2016					
	Number in fleet	Rental hour (Note 1)	Project hour (Note 1)	Number in fleet	Rental hour (Note 1)	Project hour (Note 1)	Number in fleet	Rental hour (Note 1)	Project hour (Note 1)			
Regulated												
Machines												
Excavator	171	166,180	60,201	207	297,254	126,647	222	328,881	87,903	233	48,835	13,390
Loader	12	7,699	512	19	19,354	3,222	22	32,834	6,073	25	6,939	504
Bulldozer	4	1,966	2,346	13	18,297	273	13	19,342	-	11	834	-
Dump truck	-	-	-	14	15,125	-	14	34,867	-	14	5,427	-
Compactor	6	2,098	13,026	8	983	15,248	8	6,312	11,228	8	810	504
Special purpose vehicle	1	-	-	1	1,479	-	4	7,238	-	4	1,586	-
Mobile crane	2	256	-	5	4,535	-	9	16,863	-	9	2,726	-
Others ^(Note 2)	-	-	-	1	-	-	2	1,570	-	2	-	-
Other construction machines^(Note 3)	23	14,517	-	28	10,268	1,842	31	21,209	768	16	4,014	-
Vehicles												
Lorry crane	4	4,064	4,981	4	3,304	5,477	12	16,450	1,256	13	4,006	-
Tractor	1	-	-	3	1,115	-	7	8,370	149	7	2,412	-
Semi-trailers	1	-	-	2	-	-	11	-	-	11	-	-
Tipper	19	297	20,089	30	22,617	32,628	29	45,856	18,582	29	4,163	8,128
Van	7	-	1,503	8	-	8,293	10	-	8,593	11	-	-
Other ^(Note 4)	10	2,429	8,359	15	1,371	10,301	18	4,842	9,427	20	1,181	-

BUSINESS

Notes:

1. Calculation is consistent with the calculation of utilisation rate for the year ended 31 March 2014, 2015, 2016 and is based on the number of days that the construction machinery were utilised (self-used for our construction projects or rental to our customers) during the respective period which is then divided by 365 days (or 366 days in 2016) or the number of days for which the construction machinery existed during the financial year less the estimated number of days for repair, maintenance, transportation and delivery (i.e. 30 days). Calculation of utilisation rate for the two months ended 31 May 2016 is based on the number of days that the construction machinery were utilised during the respective period which is then divided by 61 days less the estimated number of days for repair, maintenance, transportation and delivery (i.e. 5.8 days).
2. Other regulated machines include mobile generator and motor grader.
3. Other construction machines include non-regulated excavators, special purpose vehicles and component.
4. Other vehicles include platform, mobile washing unit, station waggon, pick-up and medium good vehicle.

While the use of our construction machinery is shared among construction works services and machinery rental services, overhead expenses comprising the depreciation expense and repair and maintenance costs for our construction machinery are allocated to construction works according to specific machinery used for each construction project. On the other hand, the overhead expenses of all of our construction machinery, other than those allocated to construction works, is fully allocated to our construction machinery rental segment, even the relevant construction machinery is idle.

With the implementation of the QPME System, our Group has been obtaining the QPME Labels since 2013 for the applicable construction machines that fall within the category of QPME Equipment under which applications for equipment over 6 years old are not normally accepted.

As at the Latest Practicable Date, we have obtained QPME Labels for 30 QPME Equipment in our machinery fleet which represents 6.1% of the same type of QPME Equipment under the QPME System. By obtaining these QPME Labels, our Group were able to take its own initiative for improving the overall construction noise environment which benefited the environment of Hong Kong. For construction machines with no QPME Labels, our Directors consider that there will be no material impacts to our Group's business operations given that such system serves as an encouraging but not regulatory regime and we have not encountered any particular difficulties in renting out the construction machines with no QPME Labels.

BUSINESS

Possible impact of NRMM Regulation and the Technical Circular

With the implementation of the NRMM Regulation and the Technical Circular, our Group has obtained approval or exemption for the Regulated Machines in accordance with the relevant requirements. During the Track Record Period, details of the utilisation rates for our Regulated Machines, other construction machines and vehicles are summarised as follows:

	For the year ended 31 March						For the two months ended 31 May	
	2014		2015		2016		2016	
	Number in fleet <i>(Note 1, 3)</i>	Utilisation rate <i>(Note 2)</i>	Number in fleet <i>(Note 1, 3)</i>	Utilisation rate <i>(Note 2)</i>	Number in fleet <i>(Note 1,3)</i>	Utilisation rate <i>(Note 2)</i>	Number in fleet <i>(Note 1,3)</i>	Utilisation rate <i>(Note 2)</i>
Regulated Machines								
NRMM approved								
Excavators	66	42.8%	79	85.4%	84	82.4%	97	65.3%
Loaders	4	29.6%	5	51.0%	7	70.5%	10	88.8%
Total	70	42.1%	84	83.3%	91	81.5%	107	67.5%
NRMM exempted	126	59.3%	184	71.2%	203	62.9%	199	49.4%
Other construction								
machines	23	49.9%	28	34.0%	31	40.3%	16	51.5%
Vehicles	42	69.2%	62	67.6%	87	72.3%	91	11.9%

Notes:

1. Calculation of the number in fleet for the year ended 31 March 2014, 2015 and 2016 and the two months ended 31 May 2016 is based on the total number of construction machinery which have been included in our machinery fleet during the year/period.
2. Calculation of utilisation rate for the year ended 31 March 2014, 2015, 2016 is based on the number of days that the construction machinery were utilised (self-used for our construction projects or rental to our customers) during the respective period which is then divided by 365 days (or 366 days in 2016) or the number of days for which the construction machinery existed during the financial year less the estimated number of days for repair, maintenance, transportation and delivery (i.e. 30 days). Calculation of utilisation rate for the two months ended 31 May 2016 is based on the number of days that the construction machinery were utilised during the respective period which is then divided by 61 days less the estimated number of days for repair, maintenance, transportation and delivery (i.e. 5.8 days). The estimated number of days for repair, maintenance, transportation and delivery stated above is estimated for calculation and illustration purpose with reference to past experience of our Group. The utilisation rates serve as a presentation which may not have immediate and direct linkage with our Group's profits. Apart from the number in fleet, our Group's profits are also affected by various factors including the changes in fixed and variable costs and rental fees received from customers for each construction machinery.
3. For the year ended 31 March 2014, 2015 and 2016 and the two months ended 31 May 2016, among the total of 210, 283, 309 and 306 Regulated Machines carried by us, 14, 15, 15 and 0 Regulated Machines were not exempted from the NRMM Regulation, respectively.

BUSINESS

The following table sets forth the remaining useful life of our Group's construction machinery as at 31 May 2016:

Type of construction machinery	Number	Weighted average remaining useful life (years)
Approved NRMMS		
Excavators	97	1.9
Loaders	10	2.5
Exempted NRMMS		
Excavators	135	1.3
Loaders	15	2.0
Bulldozers	11	2.1
Dump trucks	14	2.3
Compactors	7	1.3
Special purpose vehicles	4	2.4
Mobile cranes	9	2.8
Others ^(Note 1)	2	2.7
Other construction machines^(Note 2)	16	2.3
Vehicles		
Lorry crane	13	2.6
Tractor	7	2.9
Semi-trailers	11	3.1
Tipper	29	1.6
Van	11	1.8
Others ^(Note 3)	20	1.9

Notes:

1. Other exempted NRMMS include mobile generator and motor grader.
2. Other construction machines include non-regulated excavators, special purpose vehicles and component.
3. Other vehicles include platform, mobile washing unit, station waggon, pick-up and medium good vehicle.

As at the Latest Practicable Date, 128 of our Regulated Machines were approved, 190 of our Regulated Machines were exempted from obtaining the NRMMS Labels and 16 other construction machines did not fall within the Regulated Machines requirement and therefore were not subject to the NRMMS Regulation. Pursuant to the Technical Circular, there is an implementation plan to phase out the use of four types of exempted NRMMS, namely generators, air compressors, excavators and crawler cranes. For the Regulated Machines that are exempted from the NRMMS Regulation, our Directors consider that the phase out plan as detailed in the Technical Circular will not have immediate adverse impacts to our Group's business operations given that (i) over 40% of the Regulated Machines in our machinery fleet are NRMMS approved machines as at the Latest Practicable Date; and (ii) our Group's replacement plan for the exempted NRMMS in the next three years. According to the Technical

BUSINESS

Circular, our Group's exempted NRMM including 127 units of excavators, ten units of crawler cranes and one unit of generator will be phased out in stages by 1 June 2019. As an illustration purpose, our public projects accounted for only approximately 3.4%, 18.4%, 16.4% and 37.4% of our Group's total revenue for the three years ended 31 March 2016 and the two months ended 31 May 2016, respectively. For details of the NRMM Regulation and the Technical Circular and the potential risks associated, please refer to the section headed "Laws and Regulations – B. Environmental Protection – NRMM Regulation" in this prospectus.

To the best knowledge of our Directors and upon their reasonable enquiry, in general, it is not expected that there will be any material price difference in respect of the costs of the NRMMs with similar specifications, but with different emission standards, whether approved or exempted, despite the launch of the NRMM Regulation. Our Group will continue to purchase new construction machines which are approved NRMMs and dispose our exempted NRMMs in our replacement plans. Based on the valuation report by an independent valuer, it is estimated that the gain on disposal at approximately HK\$0.4 million and HK\$5.0 million for the ten months ending 31 March 2017 and the year ending 31 March 2018, respectively would be recorded on our disposal of exempted NRMMs after the Track Record Period up to the financial year ending 31 March 2018. As such, our Directors believe that there will be no material impact to our Group's financial position, and the impact shall be minimal such that there shall not be any adjustment to the estimated useful lives and no indication of any impairment loss. Our Directors consider that the existing accounting policy over depreciation and impairment loss adopted by our Group is fair and reasonable and in line with the applicable accounting standard as well as the industry norm.

Besides, we have not encountered any situations where we failed to obtain the relevant certifications under the relevant regulatory regime. Our Directors therefore consider that we are not subject to any material risks of physical or technical obsolescence. Please refer to the sections headed "Business – Major Qualification and Licence" and "Business – Quality Control" of this prospectus for details.

Pursuant to our Group's replacement plan, our Group has and will continue to replace a series of construction machines, which are exempted NRMMs, with approved NRMMs using the net proceeds from the Share Offer, our Group's internal resources and finance leases to be arranged.

In addition, our Group has plans to dispose of the exempted NRMMs according to the replacement plan. Our Directors believe that the implementation of the replacement plan will not only benefit the operation of our Group and enable our Group to comply with relevant environmental protection laws and regulations but also keep in pace with the trend of environmental governance development in Hong Kong.

To enhance our machinery fleet and to comply with the phase out plan in the Technical Circular, we plan to spend approximately HK\$148.0 million to acquire approved NRMMs according to our replacement plan. For the aforesaid acquisition cost of approximately HK\$148.0 million, we expect that approximately HK\$52.3 million will be arising from the net

BUSINESS

proceeds from Share Offer (representing approximately 78.6% of the net proceeds from the Share Offer) and approximately HK\$95.7 million will be coming from our Group's internal resources and finance leases to be arranged. The impact of such acquisitions on depreciation charges for each of the four years ending 31 March 2020 amounts to approximately HK\$0.4 million, HK\$9.4 million, HK\$27.6 million and HK\$37.0 million, respectively.

Repair and maintenance and replacement

During the Track Record Period, our construction machinery would be subject to normal wear and tear and these general repair and maintenance are carried out by our employee or other third party service providers. When our construction machinery was out-of-order, it was either (i) sent to the authorised dealer for repairs if the construction machinery was still under warranty; or (ii) sent to other third party repair companies. The warranty period of new construction machinery is generally around 12 months. As at 31 May 2016, the weighted average age of our construction machinery based on the cost of acquisition was approximately 2.5 years and the weighted average remaining useful life of our construction machinery based on accounting estimation was approximately 1.9 years.

We adopt a straight-line depreciation policy on our construction machinery for 4 years, which our Directors believe is in line with industry norm. Similar to other property, plant and equipment, we determine the useful life and residual value of the construction machinery based on various factors, such as expected usage of the asset and expected physical wear and tear as well as the experience of our Group with similar assets. For details of the relevant accounting policies and estimates, please refer to notes 3 and 4 of the Accountants' Report set out in Appendix I to this prospectus.

Despite that the useful life for the construction machinery in general is considered to be 4 years pursuant to the accounting policy, it serves as a referencing figure having considered the industry norm and regulatory environment relating to our business operations. Construction machinery if fall within the relevant regulatory regime are required to obtain relevant certifications before performing their tasks at construction sites and there is currently no restrictions imposed by the relevant regulatory regime in Hong Kong to prohibit the use of construction machinery with certain ages.

In respect of the leasing capacity over our construction machinery, given there is no strict definition for leasing capacity, we believe that the normal leasing capacity of a construction machinery will be subject to the number of days for repair and maintenance which was estimated to be 30 days, 30 days, 30 days and 5.8 days for the three years ended 31 March 2016 and the two months ended 31 May 2016 as reflected in our calculation of the utilisation rates. Our Directors would consider factors including the estimated and remaining useful lives, the actual condition of the construction machinery, the disposal of the construction machinery by market needs, and the fulfilment of the relevant regulatory regime when determining the leasing capacity. We therefore maintain stable combination of our machinery fleet among different categories of construction machinery and we review our machinery fleet regularly for the expansion and disposal of respective construction machinery as may be necessary. We thus consider making replacement of existing construction machinery only when it is necessary.

BUSINESS

In general, our Directors consider that the optimal life of our construction machinery during which they operate most efficiently is approximately the first three to five years after they come into operation. After such period, the efficiency of our construction machinery generally starts to deteriorate and the cost of maintenance gradually increases, although they may still be functional for at least 10 years. We engage third party service providers to repair and maintain our construction machinery on a regular basis. For the three years ended 31 March 2016 and the two months ended 31 May 2016, our expenses in repairing and maintaining our machinery, including the expenses of purchasing consumable parts of our construction machinery such as diamond and button bits for regular replacement, accounted for approximately HK\$20.3 million, HK\$35.9 million, HK\$47.7 million and HK\$4.8 million respectively. Our Directors consider that with proper maintenance, the operational life of our construction machinery could be over 10 years. As at the Latest Practicable Date, the weighted average age of our construction machinery was approximately 2.7 years. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material work interruption due to malfunction of our construction machinery.

For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, the amount incurred in acquiring construction machinery accounted for approximately HK\$117.7 million, HK\$107.0 million, HK\$34.3 million and HK\$15.6 million respectively. The relatively higher amount incurred in acquiring construction machinery for the two years ended 31 March 2015 was principally attributable to the increasing demand of the Regulated Machines for the then on-going projects during the same periods, which was reflected with the increasing utilisation rates of the Regulated Machines from the year ended 31 March 2014 to the year ended 31 March 2015. After the expansion of our machinery fleet for two consecutive financial years, our Directors considered that our Group should allow time to observe and digest the consequential effect on our Group's operation of the expansion in view of the corresponding market demand of our construction machinery and our level of working capital and therefore resulting in a relatively smaller scale of acquisitions of construction machinery for the year ended 31 March 2016. As at 31 May 2016, our construction machinery and equipment had a total net book value of approximately HK\$140.7 million.

Sensitivity analysis

We believe we have adopted a flexible machinery fleet management strategy that aims to optimise the size and composition of our machinery rental fleet to adapt not only the requirements of the Technical Circular but also the changing market conditions and trends. When considering the expansion of our machinery fleet, we will take into account the type and specification of construction machinery with high demand based on our forecasts, and only purchase machinery selectively after detailed consideration aiming to provide satisfactory return in terms of rental income and construction income derived therefrom.

The expansion of our machinery fleet will inevitably increase our cost of services which we believe we can pass on such additional cost of sales to our customers. During the Track Record Period, the cost of services paid/payable by us mainly consisted of operators' salaries, depreciation expenses and repair and maintenance cost, among which the depreciation expenses and repair and maintenance cost are relatively of fixed cost in nature and do not vary with our turnover.

BUSINESS

Assuming that our newly acquired machinery cannot boost our revenue, and all other variables remain constant, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in the depreciation expenses and repair and maintenance cost on our profit before tax for the Track Record Period. Based on the historical fluctuation of the relevant costs during the Track Record Period, fluctuations are assumed to be 20%, 80% and 130% for each of the three years ended 31 March 2016 and the two months ended 31 May 2016.

**Hypothetical fluctuation in
depreciation expenses and repair
and maintenance cost**

		+/-20%		+/-80%		+/-130%
		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>
Changes in profit before tax						
For the year ended 31 March 2014	+/-	7,465	+/-	29,862	+/-	48,526
For the year ended 31 March 2015	+/-	16,727	+/-	66,909	+/-	108,726
For the year ended 31 March 2016	+/-	21,754	+/-	87,017	+/-	141,403
For the two months ended 31 May 2016	+/-	3,117	+/-	12,469	+/-	20,262

QUALITY CONTROL

Quality control on our construction machinery

Our excavators are inspected weekly by a competent person which is normally the licensed operator and the results of the inspection are recorded in Form 1 (“Reports of Results of Weekly Inspections of Lifting Appliances”) according to the Lifting Appliances and Lifting Gear Regulations and the relevant guidelines from the Labour Department. Certifications from Registered Professional Engineers in the form of Form 4 (“Certificate of Test and Thorough Examination of Lifting Appliances (Except Cranes, Crabs and Winches)”) must also be obtained before use or after an excavator undergone substantial repair, re-erection, failure, overturning or collapse. The respective excavators will also have to undergo a test and examination at the arrival to the construction sites and the process is conducted by a competent person of the main contractor. Upon completion of certification process, the competent person would fill in the respective forms and place a plant permit on the respective construction machine as certification. In addition, our excavator must also undergo annual examinations by a Registered Professional Engineer to obtain certifications in the form of Form 5 (“Certificate of Test and Thorough Examination in the Preceding Twelve Months”). We follow a similar inspection procedure for other types of construction machines that are also subject to the regulatory regime. For other types of construction machinery that are not subject to the regulatory regime, we inspect them regularly and carry out checks on the coolant levels, engine/hydraulic oil levels, general conditions of the machinery, foot and parking brakes, fuel level and greasing of the lubrication points by our machine operators before usage of the machinery.

BUSINESS

To ensure compliance with the NRMM Regulation, the Technical Circular and any other applicable laws and regulations regarding our construction machinery, our safety officer will advise our Board after the publication of any regulatory announcement or circular in relation to the construction industry, in particular, any new requirements imposed on our construction machinery. We will also engage external professionals, including external legal adviser and other advisers to render professional advice as to compliances with statutory and regulatory requirements as applicable to our construction machinery from time to time.

Our Directors confirmed that, during the Track Record Period, there were no instances where our construction machinery under our machinery fleet failed to obtain any of the certifications when required.

Quality control on our construction projects

Our relevant project management team is responsible for the quality control of each project. Our executive Directors are responsible for supervising the overall implementation of quality control measures of all our projects. Details of their qualifications and experience are set out in the section headed “Directors, Senior Management and Staff – Directors” in this prospectus.

Our foreman is responsible for monitoring the quality of construction works carried out by our own employees and/or our subcontractors on a full time basis at the construction site. Our project manager is responsible for the overall supervision of the works quality and progress of works and ensuring that our works are completed according to schedule.

Furthermore, our project management teams communicate frequently with our executive Directors while our executive Directors closely monitor each of the projects’ progress and discuss issues identified to ensure that our works (i) meet our customers’ requirements; (ii) are completed within the time and budget stipulated in the subcontract or each project; and (iii) comply with all relevant regulatory requirements.

Our customers, being generally the main contractors, also carry out quality supervision to our construction works at various stages of the project. During the Track Record Period and up to the Latest Practicable Date, we have not received any complaint or request for any kind of compensation from our customers due to quality issue in relation to works performed by us or by our subcontractors, which is considered by our Directors to be attributable to our effective quality control measures.

With regard to quality control on diesel, consumable parts and construction machinery, we generally purchase or rent from our suppliers who have established satisfactory business relationships with us, and demonstrated consistency in the quality of products supplied by them. When the diesel, consumable parts and construction machinery purchased or rented by us are delivered to us, our quality control will generally include the inspection of whether the quantity is correct, whether there are any observable defects, and for construction machinery, whether it functions properly.

BUSINESS

In recognition of our quality control system, our provision of civil engineering works (roads and drainage, site formation) and provision of plant rental has been assessed and certified as being in compliance with the requirements of ISO 9001:2008. For details, please refer to the section headed “Business – Awards, Certifications and Corporate Social Responsibilities” in this prospectus.

MAJOR QUALIFICATION AND LICENSE

The following table sets out the details of our major qualification as at the Latest Practicable Date:

Qualification	Issuing authority	Issued to	Type(s) of works covered	Date of commencement	Date of Expiry
Registered Subcontractor	Construction Industry Council	Luen Yau Construction	Concreting formwork, reinforcement bar fixing, concreting, earthwork, roadworks, road drainage and sewer	2 March 2009	1 March 2017

We are not on the list of approved contractors for public works and not on the list of approved suppliers of materials and specialist contractors for public works, both maintained by the Development Bureau. Therefore, for public projects requiring such qualifications, we rely on the main contractors to hold the relevant qualifications. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had obtained all the necessary licences, permits, consents and approvals for our business operation in Hong Kong and all of them are valid. The existing licences are subject to renewal by the relevant issuing authorities. Our Directors further confirmed that we had not experienced any material difficulties in obtaining and/or renewing the aforesaid licences and qualifications, and they were not aware of any circumstances that would significantly hinder or delay the renewal of those licences and qualifications.

For our construction machines, pursuant to the NRMM Regulation, effective from 1 June 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 EPD. Under the NRMM Regulation, existing Regulated Machines which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements as long as application for exemption is submitted to the EPD between 1 June 2015 and 30 November 2015. As at the Latest Practicable Date, 318 of our construction machines are subject to the NRMM Regulation and 128 of the Regulated Machines were granted approval and 190 of them were granted exemption by the EPD under the NRMM Regulation. Our Directors consider that the NRMM Regulation does not have any immediate adverse impact on our Group’s business and its Regulated Machines, but anticipate that the time schedule for the phase out plan in the Technical Circular will gradually affect our operation. In view of such, our Directors have derived a replacement plan of our machinery fleet in the next three years to keep in pace with the Technical Circular. For details, please refer to the sections headed “Business – Business Strategies” and “Future Plans and Use of Proceeds – Use of Proceeds” of this prospectus.

BUSINESS

Our Directors confirmed that our Group is not aware of and has not encountered any situations where our construction machines have failed to obtain the relevant certification.

AWARDS, CERTIFICATIONS AND CORPORATE SOCIAL RESPONSIBILITIES

In recognition of our quality control system, we have obtained a number of certifications which are set out as follows:

Certifications	Year of Grant	Description	Issuing organization	Expiry date
ISO 9001 : 2008	2015	Certification of quality management system (<i>Note</i>)	Accredited Certification International Limited	15 September 2018
ISO14001 : 2004	2015	Certification of environmental management system (<i>Note</i>)	Accredited Certification International Limited	15 September 2018
OHSAS 18001 : 2007	2015	Certification of occupational health and safety management system (<i>Note</i>)	Accredited Certification International Limited	19 December 2018

Note: The certification concerns our provision of civil engineering works (roads and drainage, site formation) and provision of plant rental.

We have received a number of major awards during our operating history. The following table sets out summary of our awards:

Awards	Year of Grant	Description	Awarding organization
Best Subcontractor in safety performance award (最佳安全表現分判商嘉許狀)	2014	In relation to a project involving foundation and site formation and builder's work	Customer B
Best Safety Subcontractor Award (最佳安全分判商嘉許狀)	2014	In relation to a project involving machinery rental services	Customer F
Zero Harm Commendation Certificate	2015	In relation to a project involving foundation and site formation and builder's work	Customer B

BUSINESS

COMPETITION

According to the Ipsos Report, the construction machinery rental service industry in Hong Kong is fairly consolidated with the top five players accounting for approximately 21.5% of the total revenue of the industry in 2015. Our Group accounted for around 4.6% of the total revenue in the construction machinery rental service industry and ranked second amongst the top five players in 2015. As of April 2016, there was approximately 60 construction machinery rental service providers in Hong Kong and the factors of competition for construction machinery rental service providers include (i) competitiveness of rental fee; (ii) quality of the construction machinery; (iii) value-added services offered; and (iv) reputation.

As for the foundation and site formation industry in Hong Kong, it is fairly consolidated with the top five players accounting for approximately 43.5% market share in 2015. The top five subcontractors contributed approximately 9.4% of the total revenue of the foundation industry in Hong Kong in 2015. Our Group accounted for approximately 0.6% of the total revenue of the foundation and site formation industry in Hong Kong in 2015. The factors of competition in the foundation industry in Hong Kong mainly include: (i) established reliable working relationship with customers, subcontractors, raw material suppliers and workers; (ii) experience in foundation works project management and technical expertise; (iii) industry reputation and proven track record; and (iv) competitive pricing.

In view of the competition in the industries of our two business segments, we believe that our competitive strengths have contributed to the success of our Group and under the management of our experienced Directors and senior managements, our Group is well positioned to capture the growing demand for the foundation and site formation industry and the construction machinery rental industry in Hong Kong. For further details of our competitive strengths, please refer to the section headed “Business – Our Competitive Strengths” in this prospectus.

OUR EMPLOYEES

As at the Latest Practicable Date, we had 389 full-time employees (excluding our Directors) who were directly employed by us in Hong Kong. The following table sets out the number of our employees by their functional role:

Functional role	Number
Senior management	3
Project and machinery management	16
Human resources and administration	7
Accounting and Finance	2
Construction operation	83
Construction machinery rental operation	278
Total:	<u>389</u>

BUSINESS

We recruit our employees based on a number of factors such as their work experience, educational background, qualifications or certifications possessed and vacancies. We may recruit our employees by advertising on newspapers or recruitment websites.

Our new employees are generally subject to three-month probation. At the end of the probation period, they will be admitted as our permanent employees if their performance during such period is satisfactory. An induction training will be provided to our new employees before commencing onsite work.

Education and training will also be provided to our existing employees on various aspects including work safety and quality control on a continuing basis. Our experienced machine operators will also provide on-the-job training to our junior machine operators. Our Directors consider that our training programme can increase our overall efficiency and facilitate us to retain quality employees.

The remuneration package for our employees generally includes salary and bonus. We conduct an annual review of the performance of our employees for determining salary adjustment, bonus and promotion of our employees. We have also adopted the Share Option Scheme which will become effective upon Listing. The Share Option Scheme is designed to provide incentives and rewards to our employees.

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

Our direct staff cost, including wages, salaries and other employee's benefits, amounted to approximately HK\$39.2 million, HK\$109.2 million, HK\$116.0 million and HK\$18.6 million for each of the three years ended 31 March 2016 and the two months ended 31 May 2016 respectively, which amounted to approximately 31.9%, 34.7%, 33.8% and 30.5% of our cost of services respectively.

BUSINESS

OUR PROPERTIES

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

Address	Use of the property	Major terms of the tenancy
Unit 18 in the West Wing on 19th Floor, Tuen Mun Central Square, 22, Hoi Wing Road, Tuen Mun, New Territories	Office	Monthly rental of HK\$15,800 with tenancy period up to 10 June 2017
Unit 19 in the West Wing on 19th Floor, Tuen Mun Central Square, 22, Hoi Wing Road, Tuen Mun, New Territories	Office	Monthly rental of HK\$16,500 with tenancy period up to 14 April 2017
Lot numbers 625, 626, 627 and 628 in D.D. 124 Yuen Long, New Territories	Warehouse ^(Note)	Monthly rental of HK\$100,000 with tenancy period up to 30 June 2018

Note: As advised by the Legal Counsel, the current use of warehouse for storage of construction machinery complies with the approved land use.

ENVIRONMENT

For details of the laws and regulations in relation to environmental protection applicable to our business, please refer to the section headed “Laws and Regulations – B. Environmental Protection” in this prospectus. Our Directors consider that the annual cost of compliance with the applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material in the coming years.

During the Track Record Period and up to the Latest Practicable Date, we were not prosecuted for any breach of any applicable environmental laws and regulations.

In recognition of our environmental policies, we were awarded the ISO 14001:2004 (environment management system accreditation) in 2015. For details, please refer to the section headed “Business – Awards, Certifications and Corporate Social Responsibilities” in this prospectus.

OCCUPATIONAL HEALTH AND SAFETY

Risks of accidents and injuries to workers in construction sites are inherent. We have implemented an occupational health and safety system for our employees and the employees of our subcontractors as required by the relevant occupational health and safety laws, rules and regulations. In recognition of our occupational health and safety system, we were awarded OHSAS 18001:2007 (occupational health and safety management system accreditation) certificates in 2015. For details, please refer to the section headed “Business – Awards, Certifications and Corporate Social Responsibilities” in this prospectus.

We have employed one qualified safety officer to monitor and implement our work safety measures on a full-time basis. Our safety officer conducts regular internal safety audit and regular safety training provided to our staff. We have also engaged a registered safety auditor to carry out safety audit twice annually. Our project manager is responsible for setting up appropriate training for our employees and employees of our subcontractors to ensure competency to perform specific assigned tasks and our safety officer is responsible for ensuring a proper staff training record is kept. We ensure that regular maintenance checks and safety tests are performed on our construction machinery and equipment and only certified operators are eligible to operate our construction machines.

Pursuant to our typical agreement with our customer, accidents that take place at work sites must be reported to our customer in accordance with procedures that mirror those specified in the main contract of the construction project.

BUSINESS

We also maintain an internal record of all accidents. During the Track Record Period and up to the Latest Practicable Date, we recorded the following accidents:

No.	Date of the accident	Details of the accident and nature of injuries ^(Note 1)	Consequences	Last date to commence an employees' compensation claim ^(Note 2)	Last date to commence a personal injury claim ^(Note 3)
1.	3 June 2014	It was purported that our employee suffered injuries to his chest/rib while holding the hose to attempt to pull the debris out but fell into a manhole.	The incident was reported to the Commissioner for Labour. The relevant employees' compensation claim has been adjudged by the Court and the relevant personal injury claim is being handled by the relevant insurer.	N/A	N/A
2.	5 July 2014	It was purported that our employee suffered back injury while stepping down from operation room of the compactor of one meter height.	The incident was reported to the Commissioner for Labour. The relevant employees' compensation claim has been adjudged by the Court and the relevant personal injury claim is being handled by the relevant insurer.	N/A	N/A
3.	18 September 2014	It was purported that our employee suffered back injury after falling from an intermediate slab to the ground.	The incident was reported to the Commissioner for Labour through the main contractor.	N/A	18 September 2017
4.	11 November 2014	It was purported that our employee right hand injury while using a handheld cutting machine to cut a plywood board.	The incident was reported to the Commissioner for Labour. The relevant employees' compensation claim has been adjudged by the Court.	N/A	11 November 2017

BUSINESS

No.	Date of the accident	Details of the accident and nature of injuries ^(Note 1)	Consequences	Last date to commence an employees' compensation claim ^(Note 2)	Last date to commence a personal injury claim ^(Note 3)
5.	11 May 2015	It was purported that our employee suffered knee and left elbow injuries after slip and fall.	The incident was reported to the Commissioner for Labour	11 May 2017	11 May 2018
6.	1 June 2015	It was purported that our employee suffered lower back injury after falling from a ladder.	The incident was reported to the Commissioner for Labour	1 June 2017	1 June 2018
7.	21 August 2015	It was purported that an employee of our subcontractor suffered back injury while taking the bucket loaded with wastes.	The incident was reported to the Commissioner for Labour through the main contractor.	21 August 2017	21 August 2018
8.	21 November 2015	It was purported that an employee of our subcontractor suffered back injury after being hit by a timber.	The incident was reported to the Commissioner for Labour through the main contractor.	21 November 2017	21 November 2018
9.	16 December 2015	It was purported that an employee of our subcontractor suffered nose injury after crashing into a glass door.	The incident was reported to the Commissioner for Labour	16 December 2017	16 December 2018
10.	18 December 2015	It was purported that an employee of our subcontractor suffered chest injury after trip and fall.	The accident was reported to the Commissioner for Labour through the main contractor.	18 December 2017	18 December 2018
11.	6 January 2016	It was purported that an employee of our subcontractor suffered left index finger injury when his finger was tripped between two oil drums	The accident was reported to the Commissioner for Labour through the main contractor.	6 January 2018	6 January 2019

BUSINESS

No.	Date of the accident	Details of the accident and nature of injuries ^(Note 1)	Consequences	Last date to commence an employees' compensation claim ^(Note 2)	Last date to commence a personal injury claim ^(Note 3)
12.	15 January 2016	It was purported that an employee of our subcontractor suffered right ankle injury when a rubbish bin fell on him	The accident was reported to the Commissioner for Labour through the main contractor.	15 January 2018	15 January 2019
13.	4 May 2016	It was purported that an employee of our subcontractor suffered injury to his nose while working at the site.	The incident was reported to the Commissioner for Labour.	4 May 2018	4 May 2019
14.	23 May 2016	It was purported that an employee of our subcontractor injury to his right elbow while driving.	The incident was reported to the Commissioner for Labour.	23 May 2018	23 May 2019
15.	12 August 2016	It was purported that our employee suffered injury, the particulars of which was under investigation.	The incident was reported to the Commissioner for Labour through the main contractor.	12 August 2018	12 August 2019
16.	1 September 2016	It was purported that our employee suffered injury of laceration and cut to finger while striking against moving object.	The incident was reported to the Commissioner for Labour through the main contractor.	1 September 2018	1 September 2019
17.	2 November 2016	It was purported that our employee suffered injury of fracture to back while taking shuttle bus maintained by the main contractor.	The incident was reported to the Commissioner for Labour through the main contractor.	2 November 2018	2 November 2019

Notes:

- (1) Our Directors take the view that the potential amount to be borne by our Group in the incidents shall be covered by the relevant insurance policies as the incidents have been duly reported to the main contractor and our Group's entire conduct of its defence against such claims, if any, in the future will be taken up by the relevant insurers.
- (2) The time limit for a plaintiff to commence legal proceedings for an employees' compensation claim is two years from the date of the relevant incident.
- (3) The time limit for a personal injury claim against us under common law is three years from the date of the relevant incident.

BUSINESS

For the three years ended 31 March 2016 and for the period from 1 April 2016 up to the Latest Practicable Date, we recorded nil, 4, 8 and 5 accidents, respectively, involving injuries to nil, nil, 6 and 2 workers who were not employed by our Group but employed by our subcontractor(s) in the corresponding period.

The following table sets out the comparison of the accident rate per 1,000 workers and fatality rate per 1,000 workers of our Group against the relevant construction industry average rates in Hong Kong:

	Construction industry average rate <i>(Note 1)</i>	Our Group's rate <i>(Note 2)</i>
2013		
Accident rate per 1,000 workers	40.8	7.2
Fatality rate per 1,000 workers	0.28	0
2014		
Accident rate per 1,000 workers	41.9	12.2
Fatality rate per 1,000 workers	0.24	0
2015		
Accident rate per 1,000 workers	37.0	15.9
Fatality rate per 1,000 workers	N/A	0
2016 (January to October)		
Accident rate per 1,000 workers <i>(Note 3)</i>	N/A	15.8
Fatality rate per 1,000 workers	N/A	0

Notes:

1. The figures are extracted from the Ipsos Report and the Occupational Safety and Health Statistics Bulletin Issue No. 15 (August 2015) by Occupational Safety and Health Branch, Labour Department.
2. Our Group's accident rate is calculated as the occurrence of accident during the calendar year divided by the average construction site workers in the construction sites during the calendar year and multiply the result by 1,000. The average construction site workers include employees of our Group and its subcontractors.
3. To annualise our accident rate for the period from January to October 2016, we assumed (i) the average number of accidents to happen during each month from November 2016 to December 2016 would be the same as that occurred during the first ten months of 2016; and (ii) the monthly average number of workers at construction sites from November 2016 to December 2016 would be the same as that of the first ten months of 2016. Based on these two assumptions, the annualised accident rate is 15.8 per 1,000 workers.

For the calendar years 2013, 2014 and 2015 and the ten months ended 31 October 2016, we recorded no fatal injuries for our projects and the accident rates of our projects were lower than the construction industry average rates in Hong Kong.

BUSINESS

The following table sets out the nature and type of material industrial accidents which occurred during the Track Record Period and the corresponding safety measures and requirements we undertook and implemented to prevent the occurrence of similar accidents to protect the workers of our Group and our subcontractors:

Nature and type of industrial accidents	Safety measures and requirements undertaken
Contusion, laceration and/or fracture injury caused in connection with lifting and transporting construction materials.	The workers are required to strictly follow our Group's general safety rules. They are also required to wear safety gloves to handle specific nature of works. In addition, our Group also provides manual handling training to the workers and supplies relevant mechanical devices to facilitate such manual works.
Contusion, bruise, sprain and/or fracture injury caused in connection with falling into manhole and walking on uneven construction site surface.	The workers are required to strictly follow our Group's relevant safety rules to ensure a manhole be adequately protected with suitable fencing, hoardings, barricades, signs and/or hole-cover whichever is the most appropriate. In addition, under our in-house safety rules, excavation of any manhole must be properly located and recorded with prior approval of our safety officer and the site supervisor. For the safety of walking on uneven site surface, our Group requires the workers to wear safety footwear at construction sites and to take steps in ensuring safe access and egress being available in the sites.
Contusion, laceration and/or fracture injury in connection with operating construction machinery and equipment.	The workers are required to strictly follow relevant standard safety procedures for operating various types of construction machinery and equipment. In addition, only licensed and competent operators are allowed to operate the corresponding construction machines and equipment pursuant to our in-house safety rules. In order to further enhance our safety measures in this aspect, regular in-house training is also provided by senior operators to junior operators with less experience, even being licensed, so as to improve their operational skills.

BUSINESS

To ensure the abovementioned safety measures will be followed by our workers and the workers of our subcontractors, our site foreman and safety officer, as well as our executive Directors, will carry out regular visits and inspections on the construction sites. In particular, our site foreman will stop any unsafe act and suspend any dangerous operation, and check to ensure that all plant and equipment are safe and suitable for work. Our safety officer will ensure the implementation of safety management system, communication with the safety officers of other contractors at all tiers, development of safety training program to ensure that our workers and the workers of our subcontractors are properly trained in order to follow our safety rules. Our executive Directors will regularly have safety meetings with our site foreman and safety officer to evaluate our safety rules and policies, and if necessary, update and revise the same.

We have engaged an external registered safety auditor, Ng Ka Po Michael, who has over ten years of experience in safety work and has been registered as a safety auditor under Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of Laws of Hong Kong) in 2004, to carry out two safety audits in February and September 2016, both with a view to ensure that our safety performance complies with the relevant safety standard and implementation of the established safety management system. Our external safety auditor had located the following major audit findings and made the following relevant recommendations enhancement:

Major audit findings on our inadequacies

Recommendations

The safety policy was not updated annually

An effective channel to receive suggestions of safety policy should be established and the safety policy should be updated regularly

No safety duties stated in the appointment letter for safety officer and safety supervisor

The safety duties for safety officer and safety supervisor should be incorporated in the appointment letter

No comprehensive safety inspection checklist

Comprehensive safety inspection checklist should be prepared and the inspection findings should be analysed regularly

One worker was found wearing unclear goggles

A mechanism for checking of personal protective equipment used on site should be established

Other recommendations

- Safety measures for evaluating the effectiveness of training should be considered, for examples, written test or task inspection after training
- Safety incentive award for in-house staff should be established

BUSINESS

- To make sure the frontline supervisors and workers get informed of the safety measures for prevention of accident and accident reporting procedure
- Emergency drill should be conducted regularly
- The subcontractors' involvement in the safety management system should be enhanced including attending meeting and submitting relevant document
- Adequate worker representatives should be arranged to attend the safety committee meeting which should not be less than half the members of the committee
- Proper safety notice for wearing proper personal protective equipment should be displayed
- Fire extinguisher should be provided at the rest area

Our Directors have confirmed that all the recommendations by our external safety auditor have been properly and duly adopted and implemented as at the Latest Practicable Date and our external safety auditor has concluded that our safety performance in running the safety management system is satisfactory. Having considered the satisfactory conclusion of our external safety auditors and the decrease in the latest accident rate, our Directors consider, and the Sponsor concurs, that the enhanced safety measures are sufficient and effective to prevent occurrence of similar accidents in the future.

A table showing our Group's lost time injuries frequency rates (LTIFRs)^(Notes) is set out below:

For the calendar year 2013	2.7
For the calendar year 2014	4.6
For the calendar year 2015	6.0
From 1 January 2016 to 31 October 2016 (both days inclusive)	8.2

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries ("LTIs") occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFR is calculated as multiplying the number of lost time injuries of our Group happened in the calendar year by 1,000,000 and then dividing by the number of hours worked by the workers over that calendar year.
2. The number of working days of construction site workers for each of the calendar years 2013, 2014, 2015, and the period from 1 January 2016 to 31 October 2016 (both days inclusive) were approximately 295 days, 296 days, 295 days and 245 days respectively. It is assumed that the working hour of each worker is nine hours per day.
3. The employees of our Group and employees of our Group's subcontractors participated in our projects are included in the LTIFRs as shown above.

BUSINESS

From 2013 to 2016, we experienced increase in LTIFRs. Our Directors believe that it was primarily due to the shortage of skilled workers in the construction industry in Hong Kong, our Group had to employ more construction workers and part-time machine operators with less experience from 2013 to 2016.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material accidents involving fatal injuries.

INSURANCE

In general, pursuant to the contracts entered into between our customers and our Group and confirmed by our Directors as a standard and common industry practice, the main contractors will be responsible for employees' compensation insurance and contractor's all risks insurance (third party insurance) for the construction projects. The coverage of such insurance policies includes works performed by the main contractors and its contractors (including us and our subcontractors), and the same kind of insurance policies also provide coverage for our machine operators at our customer's construction sites for rental with operators. We are required to maintain basic insurance for our clerical staff and construction machinery maintenance staff that are not covered by the insurance of our customers, and we also maintained life insurance for one of our Directors. It is therefore confirmed by our Directors that save for our construction machinery and the accidents occurred at our office which are covered by the insurance maintained by our Group, the construction projects undertaken by us and the relevant employees are respectively protected by the insurance maintained by the main contractors in general, the terms of which depend on the relevant contracts. For our construction machinery that are deployed at our customer's construction sites for our rental operation, our customers are responsible for all the damages associated with the operations of the construction machinery rented out by us unless caused by the negligence of our machine operators. For construction machinery acquired under finance leases or mortgages, the banks also require us to maintain insurance coverage over those construction machinery.

Our Directors believe that our current insurance policies provide sufficient coverage of the risks to which we may be exposed to for the operation of our business and are in line with the industry norm. For the three years ended 31 March 2014, 2015 and 2016 and the two months ended 31 May 2016, our insurance expenses were approximately HK\$1.1 million, HK\$2.1 million, HK\$3.2 million and HK\$0.8 million respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

BUSINESS

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

Legal proceedings

During the Track Record Period and as at the Latest Practicable Date, our Group has been involved in a number of claims, litigations and potential claims. Save as disclosed below under the this section headed “Business – Legal Proceedings and Legal Compliance – Legal proceedings”, during the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Set out below are the details of (i) material ongoing civil litigations against our Group as at the Latest Practicable Date; (ii) potential litigations in relation to employees’ compensation and common law personal injury claims against our Group as at the Latest Practicable Date; (iii) our criminal convictions during the Track Record Period and up to the Latest Practicable Date; and (iv) non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that occurrence of personal injury claims and employees’ compensation claims is not uncommon in the construction industry and have no material impact on us.

Material ongoing civil litigations against our Group as at the Latest Practicable Date

Set out below are the details of the material ongoing civil litigations against our Group as at the Latest Practicable Date:

Particulars of the claims	Date of the incident	Total amount involved for the claims	Defendant(s)/ Respondent(s)	Insurance coverage	Status
<i>Personal injury claims</i>					
It was purported that an employee of Luen Yau Construction suffered chest, ribs injury whilst trip and fell in the course of work.	12 November 2011	Approximately HK\$3,831,000 plus interest and costs as shown in the plaintiff’s statement of damages, however, the final amount to be assessed by the court.	Luen Yau Construction as 1st defendant and the principal contractor as 2nd defendant	To be covered by the relevant insurance policy	The action has proceeded to discovery stage

BUSINESS

Particulars of the claims	Date of the incident	Total amount involved for the claims	Defendant(s)/ Respondent(s)	Insurance coverage	Status
It was purported that an employee of Luen Yau Construction suffered lower limbs injury after being hit by a wooden board and metal plate.	5 June 2012	Approximately HK\$855,000 plus interest and costs as shown in the plaintiff's statement of damages, however, the final amount to be assessed by the court.	Luen Yau Construction as defendant	To be covered by the relevant insurance policy	The action has proceeded to discovery stage
It was purported that an employee of Luen Yau Construction suffered chest/ribs injury whilst falling into a manhole in the course of work.	3 June 2014	Approximately HK\$2,080,000 plus interest and costs as shown in the plaintiff's statement of damages, however, the final amount to be assessed by the court.	Luen Yau Construction as 1st defendant and the principal contractor as 2nd defendant	To be covered by the relevant insurance policy	Checklist review hearing to set down for trial
It was purported that an employee of Luen Yau Machinery suffered back injury whilst slipped and fell from construction machine control room of approximately one meter height.	5 July 2014	Approximately HK\$2,008,000 plus interest and costs as shown in the plaintiff's statement of damages, however, the final amount to be assessed by the court.	Luen Yau Machinery as 1st defendant and the principal contractor as 2nd defendant	To be covered by the relevant insurance policy	The action has proceeded to pleadings stage

BUSINESS

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

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

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, there were 17 work injury cases arising during usual and ordinary course of our business out of which (i) two employees' compensation claims against our Group have been settled and personal injury claims were in progress; (ii) one employees' compensation claim against our Group has been settled but as the limitation period for personal injury claim (which is generally three years from the date of the relevant incidents) has not lapsed, it is still possible for the injured person to commence common law personal injury court proceeding against our Group in 2017; (iii) one employees' compensation claim against our Group has been lapsed but as the limitation period for personal injury claim has not lapsed, it is still possible for the injured person to commence common law personal injury court proceeding against our Group in 2017; and (iv) 13 work injury cases of which the injured person have not yet filed any claims or commenced legal proceedings against our Group. These potential claims are within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents. As such court proceedings have not commenced, we are not in a position to assess the likely quantum of such potential claims and outstanding claims. These accidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or adverse impact on our Group to obtain any licences or permits for our operation. Our Directors take the view that the potential amount to be borne by our Group in the incidents shall be covered by the relevant insurance policies as the incidents have been duly reported to the main contractor and our Group's entire conduct of its defence against such claims, if any, in the future will be taken up by the relevant insurers. Please see below for a summary of the expiry of limitation period of the aforesaid work injury cases:

Year	Number of employees' compensation claims which limitation period will expire	Number of personal injury claims which limitation period will expire
2016	0	0
2017	6	2
2018	7	6
2019	0	7
	13	15
	13	15

BUSINESS

Our criminal convictions during the Track Record Period and up to the Latest Practicable Date

Our subsidiaries have on occasions not complied with certain statutory requirements during the Track Record Period and up to the Latest Practicable Date, as described below. The table below summarises certain convictions against our Group during the Track Record Period and up to the Latest Practicable Date in relation to our business operation:

Relevant section of the ordinance and the offence	Particulars of the incident	Date of conviction and actual penalty	Remedial action
<p>Failing to provide and maintain plant and systems of work that are safe and without risks to health of the persons at work in contravention of sections 6A(1), 6A(2)(a) and 6A(3) of Factories and Industrial Undertakings Ordinance (Chapter 59 of Laws of Hong Kong)</p>	<p>On 5 June 2012, the injured person, who was then employed by Luen Yau Construction as a cleaner for a construction site located at Chek Lap Kok, Hong Kong, was instructed by the construction project manager of the then client of Luen Yau Construction (another defendant of the case and the subcontractor of the construction project) to clean a particular area of the construction site where a conveyor belt was located.</p>	<p>There were in total four defendants in the relevant criminal case, including the main contractor (a joint venture set up by two defendants), a subcontractor and Luen Yau Construction. The subcontractor was the then client of Luen Yau Construction. Pursuant to section 2 of the Factories and Industrial Undertakings Ordinance (Chapter 59 of Laws of Hong Kong) and as stated by the Court, all the four defendants were considered as “proprietor” of the construction project. Therefore, all of them owed the same duties under the Factories and Industrial Undertakings Ordinance (Chapter 59 of Laws of Hong Kong) to (i) provide and maintain plant and systems of work that are safe and without risks to health of the persons at work; and (ii) provide necessary information, instruction, training and supervision for safety at work to ensure the health and safety the persons at work, failing any of which shall be an offence. All the four defendants were convicted of these two offences.</p>	<p>Our full time registered safety officer has been employed since January 2016 to carry out regular visits to the construction sites, strengthen the communication with other contractors at all tiers, implement and maintain the safety management system and in-house safety rules to prevent similar accident in the future.</p>
<p>Failing to provide necessary information, instruction, training and supervision for safety at work to ensure the health and safety the persons at work in contravention of sections 6A(1), 6A(2)(c) and 6A(3) of Factories and Industrial Undertakings Ordinance (Chapter 59 of Laws of Hong Kong)</p>	<p>On the same day, a testing was to be carried out on the conveyor belt. During the cleaning of the conveyor belt by the injured person, the then client of Luen Yau Construction commenced the testing of the conveyor belt, causing the legs of the injured person to be clamped in the conveyor belt. As a result, the injured person suffered numerous fracture injuries on the legs.</p>	<p>Luen Yau Construction was convicted on 15 September 2015 and the penalty in aggregate was HK\$160,000.</p>	

BUSINESS

Relevant section of the ordinance and the offence	Particulars of the incident	Date of conviction and actual penalty	Remedial action
	<p>Both the manager of the then client of Luen Yau Construction who was responsible for the testing of the conveyor belt and the safety officer of the then client of Luen Yau Construction did not know that the injured person was cleaning the conveyor belt during the testing.</p> <p>The Court, in particular, pointed out that the crux of the case was the lack of communication by the then client of Luen Yau Construction on the cleaning and testing of conveyor belt.</p> <p>If there had been proper communication by the then client of Luen Yau Construction on the cleaning and testing of conveyor belt, the then client of Luen Yau Construction would not have carried out the testing of the conveyor belt and instructed the injured person to clean the conveyor belt at the same time. The accident could have been avoided.</p>		

Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date

Our Directors confirmed that save as disclosed in the section headed “Business – Legal Proceedings and Legal Compliance” in this prospectus, we have complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Non-compliance with Inland Revenue Ordinance

Set out below are non-compliances of our Group with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong):

Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 51(1) of the Inland Revenue Ordinance	Luen Yau Construction failed to furnish profits tax returns for the years of assessment 2009/10 to 2013/14, within the prescribed time limit.	<p>As confirmed by our Directors, Luen Yau Construction had been relying on its then internal accountant for the preparation of its filings of the profits tax returns with the Inland Revenue Department, who had inadvertently delayed the filing of the same from two days to less than eleven months.</p> <p>Our Directors had no direct or wilful involvement in the breach.</p>	<p>We had paid HK\$1,200 to the Inland Revenue Department for late filing of 2011/12 profits tax return for less than eleven months, pursuant to which no further penal action would be taken against us thereafter for this case of late filing. Further, we have implemented adequate internal control system that our Chief Financial Officer, Ms. Lee Ying Ying, has been responsible to ensure that tax returns are submitted in a timely manner and a tax representative for tax filing will be appointed, if necessary.</p>	<p>Under the Inland Revenue Ordinance, any person who without reasonable excuse fails to comply with the requirements of a notice given to him under section 51(1) is liable to a maximum fine of HK\$10,000 for each offence and a further fine of treble the amount of tax undercharged in consequences of the failure to comply with the notice under section 51(1). As advised by our Tax Adviser, Luen Yau Construction does not have any outstanding tax liability as at the Latest Practicable Date.</p> <p>As advised by the Legal Counsel, the chance of prosecution is not high. Even if there is any prosecution, the chance of maximum sentence being imposed is also not high since they only involve delay in submitting profit tax returns only but not any tax evasion.</p>

BUSINESS

Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 52(4) and 52(5) of the Inland Revenue Ordinance	Luen Yau Construction and Luen Yau Machinery failed to give the required notice (Form 56E) under the IRO to the Commissioner of Inland Revenue not later than three months after the date of commencement of employment of an individual and the required notice (Form 56F) to the Commissioner of Inland Revenue not later than one month after the cessation of employment of an individual.	As a significant number of subcontractors (including self-employed operators) were employed by the two companies as employees aiming to maintain a stable workforce for the increasing demand of human resources, the work load of the then human resources staff had significantly increased with result of inadvertent oversight and mistakes made. Our Directors had no direct or wilful involvement in the breach.	We had duly filed the Form 56B to the Inland Revenue Department which had already enabled the Inland Revenue Department to aware of the employment affairs of Luen Yau Construction and Luen Yau Machinery as revealed under the Form 56E and Form 56F. We have improved the administration of the companies by the employment of more human resources staff to ensure future notices are filed within stipulated time limit.	Under the Inland Revenue Ordinance, the maximum penalty is up to HK\$10,000 for each offence and therefore the maximum fine in aggregate would be HK\$3.1 million since in total 310 forms were involved. As advised by our Legal Counsel, given that the offences are quite minor and technical in nature and the Inland Revenue Department was aware of the employment affairs of Luen Yau Construction and Luen Yau Machinery from the Form 56B which had been duly filed by them, the chance of prosecution is relatively low. Even if there is any prosecution, the chance of maximum sentence being imposed is also relatively low.

BUSINESS

Non-compliance with the Mandatory Provident Fund Schemes Ordinance

Set out below are non-compliances of Luen Yau Machinery with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (“MPFSO”):

Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 7A of the MPFSO	In total 133 of our employees and ex-employees were underpaid in their MPF contribution. Further, the employer’s and employee’s contribution in respect of the director’s fee paid to Mr. Wu were not paid in year 2015 and 2016.	As a significant number of subcontractors were employed by Luen Yau Machinery as employees between 2014 to 2015, the workload of the then human resources staff had significantly increased with result of inadvertent oversight in calculation of the relevant MPF contributions. Our Directors had no direct or wilful involvement in the breach.	We have engaged an independent human resources consultancy company to review our monthly MPF contribution calculation and taken relevant internal control measure to avoid happening of same incidents. We have made payments for the underpaid MPF contributions to the MPF trustee in aggregate sum of approximately HK\$839,000 for the employees and ex-employees and approximately HK\$4,500 for Mr. Wu from May 2015 to April 2016 after discovery of the MPF underpayment.	Under sections 43B and 44 of MPFSO, the maximum penalty is a fine up to HK\$100,000 and imprisonment for six months for the first conviction and a fine up to HK\$200,000 and imprisonment for one year for any subsequent conviction. As advised by our Legal Counsel, given that all mistakes have been rectified, the chance of prosecution is not high. Even if there is any prosecution, the chance of maximum sentence being imposed is also not high.

BUSINESS

Save as the non-compliances as disclosed above, there were certain non-compliances of our Group with the Predecessor Companies Ordinance and the Companies Ordinance in respect of matters including among others, timely adoption of audited accounts, failure to convene annual general meetings within the prescribed time, and late filing of statutory forms to the Companies Registry. As advised by the Legal Counsel, those non-compliance incidents not detailedly disclosed in this prospectus are either time barred by the time limit for prosecution under the relevant laws or are immaterial in nature. Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sponsor concurs, that the impact of them would be immaterial upon our Group's operation and financial positions.

Compliance with the Competition Ordinance

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) ("CO"), entered into force on 14 December 2015, prohibits conduct that prevents, restricts or distorts competition in Hong Kong. For details, please refer to "Laws and regulation – Competition Ordinance (Chapter 619 of the Laws of Hong Kong)" of the prospectus.

Our Directors are aware of the prohibition under the Competition Ordinance and are of the view that our business operations are not in breach of any of the applicable prohibitions set forth in the Competition Ordinance. We are not aware of any enquiry, investigation, or notification relating to us under the Competition Ordinance.

In particular, as one of the market leaders in the construction machinery rental business, our management shall not conduct our business in any way that will constitute an abuse of our market power, if any, by engaging in conduct that has as its object or effect the prevention, restriction, or distortion of competition in Hong Kong.

In respect of the compliance with the Second Conduct Rule, the following factors are taken into consideration based on the Guideline on the Second Conduct Rule ("Second Guideline") published by the Competition Commission.

Lack of substantial degree of market power

- (i) Market share and market concentration: We do not consider that we possess substantial market power, which means the ability profitably to charge prices above competitive levels, or to restrict output or quality below competitive levels, for a sustained period of time according to the Second Guideline. Despite our ranking as the second largest company in the construction machinery rental service industry in Hong Kong, our market share was only 4.6% in 2015, as the construction machinery rental service industry in Hong Kong is highly competitive, and the top five leading players in the construction machinery service industry in Hong Kong, including our Group, accounted for only 21.5% of the total revenue of the industry in 2015, according to the Ipsos Report. Please see the sections "Industry Overview – Competitive landscape of the construction machinery rental service industry in Hong Kong" of this prospectus.

BUSINESS

- (ii) Countervailing buyer power: According to the Second Guideline, the strength of buyers and the structure of the buyers' side of the market may prevent a supplier from having a substantial degree of market power; buyer power is not so much a matter of the size of the buyer but more a matter of bargaining strength and whether buyers have a choice between alternative suppliers. In the construction machinery rental service industry, the customers are generally large-scale construction contractors, which have significant bargaining strength and have a choice between alternative suppliers for rental of construction machinery, and they may also choose to purchase the relevant construction machinery. Further, for many large-scale construction projects, the customers can and do intensify competition among suppliers by adopting competitive tender arrangements.

No abuse of substantial market power

- (iii) No anti-competitive conduct: Our Directors confirmed that we have not engaged and is not engaging in predatory pricing, anti-competitive tying and bundling, margin squeeze or refusal to deal, which are examples of conduct that may constitute an abuse of substantial market power that has as its object or effect the prevention, restriction or distortion of competition according to the Second Guideline.
- (iv) Exclusive dealing not abusive: We have not entered into any exclusive cooperation agreements with our customers.

In light of the prohibitions under the Competition Ordinance, we will from time to time seek compliance advices on our business operations.

As confirmed by our Directors, as at the Latest Practicable Date, save as disclosed above, our Group did not receive any notices for any fines or penalties for any non-compliance that is material and systemic in nature.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity on 15 November 2016, pursuant to which our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, all losses and liabilities which may arise as a result of any non-compliance of our Group with the applicable laws, rules or regulations on or before the Listing. Further details of the Deed of Indemnity are set out in the section headed "E. Other Information – 1. Tax and other indemnities" in Appendix IV to this prospectus.

INTERNAL CONTROL MEASURES**Internal control measures to prevent the recurrence of non-compliance incidents**

In relation to the non-compliance incidents as mentioned above, our Group has engaged SHINEWING Risk Services Limited (“**SHINEWING Risk**”), an independent internal control consultant to review and provide recommendations to our internal control designs for preventing the recurrence of the above-mentioned non-compliance incidents. After taking into account the recommendations made by SHINEWING Risk, our Group has adopted or will adopt the following key measures:

1. with regard to the non-compliance in relation to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), our Group has established policies and procedures in its internal controls manual for the submission of the relevant tax return forms and tax expenses would be recorded in the month incurred. Our Chief Financial Officer, Ms. Lee Ying Ying, has been responsible to ensure that tax returns are submitted in a timely manner and a tax representative for tax filing will be appointed if necessary;
2. with regard to the non-compliance in relation to the MPFSO, our Group established policy and procedure for the payroll and termination process in its internal controls manual. Our Chief Financial Officer, Ms. Lee Ying Ying, and our human resources and administration manager, Ms. Kwok Wai Sheung Melody, has been responsible to ensure that such procedures are strictly enforced; and
3. our executive Directors have attended training session, with regard to the non-compliance in relation to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) and MPFSO to improve their ability to operate our Group in a compliant manner. Our Group will continue to arrange various trainings to be provided by internal control consultant, external legal adviser and/or other appropriate accredited institution, to reinforce our Directors’ awareness on applicable Hong Kong laws, especially in respect of the tax and MPF obligation that may arise during the course of business of our Group.

Review by SHINEWING Risk

In preparation for the Listing and to further improve our internal control system, in December 2015, we engaged SHINEWING Risk, an independent internal control consultant, to review on the internal control system of our Group including the areas of financial, operation, compliance and risk management. The review was carried out in January 2016.

BUSINESS

The table below sets out the material findings and recommendations by SHINEWING Risk:

Material findings	Recommendations
Access right between accounting officer and chief financial officer is not properly segregated in the accounting system	To assign the access right to accounting officer and chief financial officer according to their roles and responsibilities
Review evidence of the chart of accounts by the chief financial officer is not retained	To request chief financial officer to retain the evidence of the regular review on the chart of accounts
Depreciation and internet expense are not recorded monthly	To require the accounting officer to record depreciation and internet expense monthly and prepare depreciation schedule. The schedule and relevant documents should be attached to the excel spreadsheet for chief financial officer's approval and signature
There are no financial statements or consolidated financial statements prepared at the end of each month. Aging analysis has not been prepared either	To require the accounting officer to prepare financial statements and consolidated financial statements at the end of each month. Relevant schedule and breakdown, such as aging analysis for accounts receivable and accounts payable should also be prepared and submitted to the management for review and approval
Regular evaluation is not performed on the performance of the supplier	To establish a supplier list to record the information of each supplier and conduct regular evaluation on the performance of the supplier
Site agent and senior site agent do not sign on the delivery note or invoice as acknowledgement after checking the model and quantity of the goods received	To request site agent and senior site agent to sign on the delivery note or invoice after checking the model and quantity of the goods received

BUSINESS

Material findings	Recommendations
Regular evaluation is not performed on the performance of the subcontractor	To establish a subcontractor list to record the information of each subcontractor and conduct regular evaluation on the performance of the subcontractor
Workdone record sheet is not prepared for all projects	To request the foreman to prepare the workdone record sheet for all projects timely and the same to be signed and agreed by the subcontractor and foreman
Dual control on payment is not established	To establish dual control for the payment. Authorisation from any two of the senior management should be required to execute a payment. To establish payment requisition form which include information such as date and purpose of the payment and amount
Bank reconciliation will only be performed if there is any variance noted between the bank statement and bank book	To request accounting officer to perform bank reconciliation for bank account regularly
Tax expenses are only recorded on the date of payment instead of the month incurred	To request accounting officer to recognize the tax expenses in the month incurred

Following such review and evaluation, our Group has implemented all the recommendations given by SHINEWING Risk on our internal control system.

SHINEWING Risk performed a follow-up review in April 2016 in this connection and the internal control deficiencies are fully remediated.

View of our Directors and the Sponsor

The above mentioned non-compliances were caused by inadvertent delay and oversight of our internal accountant and human resources staff and they were repeated and/or continuous over a period of time. Solely on this nature, our Directors and the Sponsor are of the view that these non-compliances were systemic. Nevertheless, our Directors and the Sponsor are of the view that these non-compliances have no material adverse financial or operational impact on our Group and were not particularly serious in nature given that: (i) no notice or summon of prosecution has ever been served against us for these non-compliances; and (ii) the chances of prosecution and chances of maximum sentence of these non-compliances were either not high or relatively low as per the advice of the Legal Counsel.

BUSINESS

Further, our Directors consider that the above mentioned 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.

Additionally, our Directors would wish to highlight the fact that after discovery of these non-compliances, there were no recurring of these non-compliances and our Group's prompt implementation of all the recommendations given by SHINEWING Risk on our internal control system, which demonstrates our Directors' ability and tendency to operate in a compliant manner.

In view of the above, our Directors believe, and the Sponsor and SHINEWING Risk concur that, the internal control measures are sufficient and could effectively ensure a proper internal control system to prevent the recurrence of non-compliance incident of the same nature.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have registered one domain name in Hong Kong.

Information relating to our intellectual property rights is set out in the section headed "Statutory and General Information – B. Further Information about the Business – 2. Intellectual property rights" in Appendix IV to this prospectus.

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, each of Mr. Wu and Profit Gold will control more than 30% of the issued share capital of our Company. For the purpose of the Listing Rules, Mr. Wu and Profit Gold are the Controlling Shareholders. Profit Gold is an investment holding company. Each of Mr. Wu and Profit Gold confirms that it or he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

INDEPENDENCE OF OUR GROUP

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

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. During the Track Record Period, our Group has certain amounts due to/from our Controlling Shareholders, please refer to Note 22 of the Accountants' Report set out in Appendix I to this prospectus for further details. All amounts due to/from our Controlling Shareholders have been settled as at the Latest Practicable Date. During the Track Record Period, certain bank borrowings and finance leases were secured/guaranteed by personal guarantees of one of our Controlling Shareholders and his close associates and property held by the close associate of one of our Controlling Shareholders, please refer to Note 23 and 24 of the Accountants' Report set out in Appendix I to this prospectus for further details. All of the above guarantees provided to our Group will be released upon Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

(ii) Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates.

(iii) Independence of management

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

Our Board consists of five Directors, comprising two executive Directors, and three independent non-executive Directors. Mr. Wu is the only director of Profit Gold, a Controlling Shareholder. Save for Mr. Wu, no other Directors nor members of senior management of our Group hold any directorship or position in Profit Gold.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Directors 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 interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum.

(iv) Independence of major suppliers and subcontractors

Save for Chung Luen Machinery Engineering Limited (“**Chung Luen**”), our Directors and their respective close associates did not have any relationship with the top five suppliers or subcontractors of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(v) Independence of major customers

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the top five customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period. Our Directors are of the view that our Group does not unduly rely on our Controlling Shareholders and/or their respective close associates.

EXCLUDED BUSINESS OF OUR GROUP

During the Track Record Period, Chung Luen was engaged in the installation of railing. Before the disposal by Mr. Wu, Chung Luen was owned as to 50% by Mr. Wu and 50% by an Independent Third Party. During the Track Record Period, our Group provided machinery rental services to Chung Luen and the revenue derived from the machinery rental services to Chung Luen was approximately nil, HK\$1.4 million, HK\$1.0 million and nil for the three years ended 31 March 2016 and the two months ended 31 May 2016. During the Track Record Period, Chung Luen provided subcontracting services for the installation of railing for our Group and the subcontractor fee paid to Chung Luen was approximately nil, HK\$2.0 million nil and nil for the three years ended 31 March 2016 and two months ended 31 May 2016. The business relationship with Chung Luen has been completed and ceased and Mr. Wu disposed his interest in Chung Luen to an Independent Third Party in April 2016.

During the Track Record Period, Wah Hing Asia Development Limited (“**Wah Hing**”) was a supplier of construction materials. Before the disposal by Mr. Wu, Wah Hing was owned as to 50% by Mr. Wu and 50% by an Independent Third Party. To the best knowledge of our Directors, during the Track Record Period, Wah Hing was engaged to transport the construction materials. Since Wah Hing did not itself rent any terminal and lacked labour support for loading the construction materials on ships at the relevant time, our Group rented a terminal and provided labour support to Wah Hing for miscellaneous works including loading of the construction materials such that the construction materials could be loaded on ships and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

transported to the destination. During the Track Record Period our total revenue derived from our terminal rental and provision of labour support to Wah Hing were approximately nil, HK\$1.3 million (HK\$1.0 million derived from our terminal rental and HK\$0.3 million from the provision of labour), nil and nil for the three years ended 31 March 2016 and the two months ended 31 May 2016. During the Track Record Period, Wah Hing provided subcontracting services for the supply and transportation of construction materials to our Group and the amount paid to Wah Hing was approximately nil, HK\$1.4 million nil and nil for the three years ended 31 March 2016 and two months ended 31 May 2016. The business relationship with Wah Hing has been completed and ceased and Mr. Wu disposed his interest in Wah Hing to an Independent Third Party in May 2016.

Chung Luen and Wah Hing were incorporated on 2 December 2014 and 31 March 2014 respectively. According to their management accounts, Chung Luen incurred a net loss at approximately HK\$90,000 from its date of incorporation to 31 March 2016 and recorded a net liability at approximately HK\$80,000 as at 31 March 2016, while Wah Hing had a net loss at approximately HK\$7,500 and a net profit at approximately HK\$189,000 for each of the two years ended 31 March 2016 respectively, and recorded a net asset at approximately HK\$2,500 and approximately HK\$190,000 as at 31 March 2015 and 2016 respectively.

Mr. Wu was an investor and a director (adopting a non-executive role) in these two companies. He was not involved in the daily operation and management of Chung Luen and Wah Hing and his taking up a directorship was primarily for the purpose of overseeing his investment. As Mr. Wu wishes to focus on the business of our Group and the businesses of Chung Luen and Wah Hing fall outside of our business model, we decided to streamline the business of our Group and thus the businesses of Chung Luen and Wah Hing was excluded from our Group.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and each of Mr. Wu, and Profit Gold (the "Covenantors"), each of the Covenantors has executed a Deed of Non-competition on 15 November 2016 in favour of our Company (for ourselves and for the benefit of our subsidiaries). Pursuant to the Deed of Non-competition, during the period that the respective Deed of Non-competition remains effective, each of the Covenantors irrevocably and unconditionally undertakes to our Company (for ourselves and for the benefit of our subsidiaries) that he/it shall not, and shall procure his or its close associates (other than members of our Group) not to, directly or indirectly, among other things, engage, participate or hold any interest in or otherwise be involved in any business, directly or indirectly, in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective close associates to, give our Company notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal. Within 30 days after receipt of written notice concerning offer of such business opportunities from the Covenantor(s) or his/its close associate(s), we shall notify the Covenantor(s) whether we intend to accept the offer. If we decline any such offer, the Covenantor(s) and/or his/its close associate(s) shall then be allowed to acquire the business opportunities offered on terms no more favourable than those offered to us.

The Deed of Non-competition are conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee granting the approval for the Listing of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate when (i) the Covenantor whether individually or taken together with his or its close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the issued share capital of our Company and ceases to be a director of any member of our Group; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

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

- (i) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (ii) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Staff” of this prospectus;
- (iii) our Company has appointed Ample Capital Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls;
- (iv) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

OVERVIEW

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets out information regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Role and Responsibility	Relationship with other Directors and senior management
Executive Directors						
Mr. WU Wing Hang (胡永恆)	38	Executive Director, chairman of our Board	18 July 2003	21 April 2016	Responsible for overseeing the corporate strategy and operational management of our Group	Spouse of Ms. Kwok Wai Sheung Melody
Mr. CHAN Tak Ming (陳德明)	50	Executive Director	1 August 2003	31 May 2016	Responsible for overseeing the rental operation of our Group	N/A
Independent non-executive Directors						
Mr. WONG Yiu Kit Ernest (黃耀傑)	49	Independent non-executive Director	15 November 2016	15 November 2016	Responsible for providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group	N/A

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Role and Responsibility	Relationship with other Directors and senior management
Mr. LEE Man Tai (李文泰)	40	Independent non-executive Director	15 November 2016	15 November 2016	Responsible for providing independent judgment on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group	N/A
Mr. LEUNG Ka Fai (梁家輝)	37	Independent non-executive Director	15 November 2016	15 November 2016	Responsible for providing independent judgment on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group	N/A

DIRECTORS

Executive Directors

Mr. Wu Wing Hang (胡永恆) (“Mr. Wu”), aged 38, is the founder of our Group. Mr. Wu is also a member of the nomination and remuneration committee. He was appointed as a Director on 21 April 2016 and was designated as an executive Director on 13 July 2016. He was also appointed as the Chairman of our Group on 13 July 2016. He is currently responsible for overseeing the corporate strategy and operational management of our Group. Mr. Wu is also a director of all the wholly-owned subsidiaries of our Group.

Mr. Wu has over 19 years of experience in the construction works and construction machinery rental service industry. After completion of his secondary school education in City College in Hong Kong in 1995, Mr. Wu started his career in construction industry in November 1996 and served as a site administrator and backhoe operator in Yau Luen Construction Company from November 1996 to June 2003. In July 2003, Mr. Wu established his own business LYCC and was certified as an backhoe operator in November 2006. LYCC was initially established by Mr. Wu for the provision of construction machinery rental service in

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Hong Kong and for exploration of business opportunities in the PRC and thus the entity held a cross-boundary vehicle licence for such purpose. However, Mr. Wu considered that no suitable business opportunities could be identified in the PRC, and the cross-boundary vehicle licence was maintained without substantial usage. Coincidentally, Mr. Wu was approached by a purchaser with an intention to acquire a cross-boundary vehicle licence. Due to the statutory limitation for the transfer of the licence, Mr. Wu aimed to transfer the cross-boundary vehicle licence to the Independent Third Party purchaser by ceasing his ownership in LYCC in October 2010. In the same year, he established Luen Yau Company to continue his construction machinery rental business. Mr. Wu established Luen Yau Construction in December 2007 and served as its director.

Mr. Wu is the spouse of Ms. Kwok Wai Sheung Melody. For Mr. Wu's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Statutory and General Information – C. Further Information about Substantial Shareholders, Directors and Experts – 1. Disclosure of interests" in Appendix IV to this prospectus.

Mr. Chan Tak Ming (陳德明) ("Mr. Chan"), aged 50, was appointed as a Director on 31 May 2016 and was designated as an executive Director on 13 July 2016. He is currently responsible for overseeing the rental operation of our Group.

Mr. Chan has over 30 years of experience in the construction works and construction machinery rental service industry. After completion of his secondary school education in Oberlin College in Hong Kong in 1983, Mr. Chan began his apprenticeship in a construction company in 1984 and was promoted as a machine operator in 1986 until he left the company in 1994. Mr. Chan served as a machine operator in Yan Ching Construction Co. Limited (formerly known as Amen Construction HK Company Limited) from 1995 to 1996 and in Tai Cheng Engineering Co., Ltd. from 2001 to 2003. He joined our Group in August 2003 as a machine operator and was promoted to the position of head of machine rental department in July 2013.

Independent non-executive Directors

Mr. Wong Yiu Kit Ernest (黃耀傑) ("Mr. Wong"), aged 49, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the remuneration committee and a member of the audit and nomination committees of our Company.

In 1991, Mr. Wong obtained his Bachelor degree in business administration from The University of Hong Kong. He further obtained a Master degree of science in investment management from The Hong Kong University of Science and Technology in 1998, as well as a Master degree of science in electronic engineering from The Chinese University of Hong Kong in 2008. Mr. Wong was admitted as a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in November 1999 and October 2002 respectively. He was also admitted as chartered financial analyst of The Institute of Chartered Financial Analysts in September 1998 and an associate member of The Institute of Chartered Accountants in England and Wales in January 2008.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Wong has over 20 years of experience in the field of venture capital, corporate finance and management. He was the vice president of Vertex Management (HK), an international venture capital firm listed in Singapore, from July 2000 to October 2002. He was employed by the Hong Kong Applied Science and Technology Research Institute Company Limited from November 2002 to April 2008 and his last position was chief financial officer. He has also been serving as an independent non-executive director in Renheng Enterprise Holdings Limited (stock code: 3628), HongDa Financial Holding Limited (stock code: 1822, formerly known as Perception Digital Holdings Limited and E-Rental Car Company Limited) and Legend Strategy International Holdings Group Company Limited (stock code: 1355) since October 2011, July 2014 and November 2016, respectively. Mr. Wong served as the chief financial officer and company secretary in KVB Kunlun Financial Group Limited (stock code: 8077) since October 2014. Mr. Wong also served as the executive director and chief financial officer in Adamas Finance Asia Limited (formerly known as China Private Equity Investment Holdings Limited), a company listed on the London Stock Exchange, from May 2008 to February 2014 and from May 2008 to October 2011 respectively as well as serving as its non-executive director since February 2014.

Mr. Lee Man Tai (李文泰) (“Mr. Lee”), aged 40, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the audit committee and a member of the remuneration committee of our Company.

In November 2000, Mr. Lee obtained his Bachelor degree in business administration from Lingnan University, Hong Kong. In November 2010, he further obtained a Master degree in business administration in financial services from The Hong Kong Polytechnic University. Mr. Lee was admitted as a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in May 2012 and October 2012 respectively.

Mr. Lee has over 15 years of experience in financial and auditing industries. Mr. Lee served as the chief financial officer and company secretary in several listed companies including China Yuanbang Property Holdings Limited, a listed company on the main board of Singapore Exchange between October 2006 to October 2012, China 33 Media Group Limited (stock code: 8087) between October 2012 and May 2014 and Flying Financial Service Holdings Limited (stock code: 8030) as the chief financial officer between July 2014 to April 2015 and company secretary between August 2014 to April 2015. Mr. Lee also served as the company secretary and financial controller of Chanco International Group Limited (stock code: 264) from April 2015 to September 2015 and from April 2015 to January 2016 respectively. He is currently an independent non-executive director of China Energy Development Holdings Limited (stock code: 228) since January 2016.

Mr. Leung Ka Fai (梁家輝) (“Mr. Leung”), aged 37, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the nomination committee and a member of the audit committee of our Company.

In October 2008, Mr. Leung obtained his Master degree in Chinese language and literature from The Hong Kong Polytechnic University. He further obtained a Postgraduate diploma in education (teaching in Chinese) from The Hong Kong Baptist University in November 2012 as well as a Master degree in sociology from The Chinese University of Hong Kong in November 2014.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Leung is a district council member of Sha Tin District Council since January 2008. He is also a committee member of Yunfu City of the Chinese People's Political Consultative Conference in PRC from January 2013 to January 2016.

Mr. Leung has over 5 years of experience in management. He served as a business director of Beta Field Capital Limited from December 2011 to February 2012 and an independent non-executive director of Rui Kang Pharmaceutical Group Investments Limited (stock code: 8037, formerly known as Longlife Group Holdings Limited) since June 2013. He was also appointed as an independent non-executive director of China Investment Fund International Holdings Limited (stock code: 612, formerly known as China Investment Fund Company Limited) from 22 April 2016 (after the trading of its shares was halted since 1 April 2016) to 20 July 2016 and subsequently appointed and redesignated as a non-executive director with effect from 31 October 2016.

DIRECTORS' INTEREST

Save as disclosed above, each of our Directors and senior management is independent from and not related to any of our Directors or senior management. Save as disclosed above and elsewhere in this prospectus (if any), each of our Directors confirmed with respect to himself that: (i) apart from our Company, he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (iii) he did not have any other relationship with any other Directors, senior management, substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; (iv) he does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed "Statutory and General Information – C. Further Information about our Substantial Shareholders, Directors and Experts – 1. Disclosure of interests" in Appendix IV to this prospectus; (v) he does not have any interest in any business which competes or may compete, directly or indirectly, with us, which is discloseable under the Listing Rules; and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Position	Date of Appointment
Mr. KWOK Ka Lok Ken (郭家樂)	41	Project manager	1 February 2013
Ms. KWOK Wai Sheung Melody (郭慧嫦)	39	Human resources and administration manager	18 July 2003
Ms. LEE Ying Ying (李盈熒)	42	Chief financial officer and company secretary	13 July 2016

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Kwok Ka Lok Ken (郭家樂) (“**Mr. Kwok**”), aged 41, is our project manager. He is currently responsible for management of projects and implementation of quality management on site.

In August 2009, Mr. Kwok obtained his Master degree in engineering management from the University of Technology, Sydney in Australia. He was admitted as an associate member of The Association of Building Engineers in May 2009 and a member of The Institution of Highways and Transportation in September 2009.

Mr. Kwok has over 20 years of experience in the construction industry. He joined our Group in February 2013 as our project manager. Prior to joining our Group, Mr. Kwok served as a site supervisor in Mak Hang Kei (HK) Construction Limited from July 1995 to June 1996, a site engineer in The Express Builders Co., Ltd from July 1997 to August 1999, a work supervisor on certain projects in Chan, Kan & Associates Ltd. from June 1999 to September 2001 and a general foreman in Wai Hung Construction Engineering Company Limited from September 2001 to March 2003. He also served as a site agent in Shun Tat Construction Engineering Company from March 2003 to August 2004, a senior foreman, a sub agent and a site agent in Chun Wo Construction & Engineering Co., Ltd. during the period from August 2004 to May 2010 and a senior site agent in China Harbour Engineering Company Limited from August 2010 to January 2013.

Ms. Kwok Wai Sheung Melody (郭慧嫦) (“**Ms. Kwok**”), aged 39, is our human resources and administration manager. She is currently responsible for human resources management, training and education of employees.

In 1995, Ms. Kwok completed her secondary school education in Ho Ngai Prevocational School (Sponsored by Sik Sik Yuen) in Hong Kong. Ms. Kwok is the spouse of Mr. Wu.

Ms. Kwok has over 17 years of experience in the construction industry. She joined LYCC in July 2003 as a human resources and administration manager. Prior to joining our Group, Ms. Kwok worked as a site clerk in Dickson Construction Co., Ltd. from September 1998 to December 2000 and China Harbour Engineering Co. from November 1997 to September 1998.

COMPANY SECRETARY

Ms. Lee Ying Ying (李盈熒) (“**Ms. Lee**”), aged 42, is our chief financial officer and company secretary and was appointed on 13 July 2016. She joined our Group in December 2015 and is currently responsible for finance management and company secretarial works.

In December 2005, Ms. Lee obtained her Master degree in professional accounting from The Hong Kong Polytechnic University. She was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in June 2002 and a fellow member of the Association of Chartered Certified Accountants in April 2007.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Lee has over 20 years of experience in the auditing and accounting field. She has served a number of auditing position in various private companies from June 1994 to November 2003. From November 2003 to February 2013, Ms. Lee served as an administration and financial director and was promoted to the chief financial officer in 3 Wells Group Holdings Limited. She is also as a director of P&M Corporate Services Limited since December 2013.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Articles and the Listing Rules, we have formed three board committees, namely the audit committee, the nomination committee, and the remuneration committee.

Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 15 November 2016 in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. The primary duties of our audit committee are (i) to make recommendations to our Board on the appointment and removal of external auditors, (ii) to review the financial statements, (iii) to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems, and (iv) to review and monitor the extent of any non-audit work undertaken by external auditors. Our audit committee currently consists of all three of our independent non-executive Directors, namely Mr. Lee Man Tai, Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. Mr. Lee Man Tai is the chairman of the audit committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 15 November 2016 with written terms of reference in compliance with paragraph A.5 of the Code. The primary duties of our nomination committee are (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) to make recommendations to our Board regarding candidates to fill vacancies on our Board. Our nomination committee currently consists of one executive Director, namely Mr. Wu Wing Hang, and two of our independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. Mr. Leung Ka Fai is the chairman of the nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Remuneration committee

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 15 November 2016 in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Code. The primary duties of our remuneration committee are (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our remuneration committee currently consists of an executive Director, namely Mr. Wu Wing Hang, and two of our independent non-executive Directors, namely Wong Yiu Kit Ernest and Mr. Lee Man Tai. Mr. Wong Yiu Kit Ernest is the chairman of our remuneration committee.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Company intends to comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after Listing.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fees, salaries, allowances, discretionary bonuses and other benefits as well as contributions to retirement benefit schemes. The total compensation accrued to our Directors for the year ended 31 March 2014, 2015, 2016 and the two months ended 31 May 2016 was HK\$0.2 million, HK\$2.3 million, HK\$2.3 million and HK\$0.4 million, respectively.

Of the five highest paid individuals for the Track Record Period, nil, one, one and one was our Director. The aggregate compensation paid to the remaining five, four, four and four of the five highest paid individuals (excluding the Directors) during the three years ended 31 March 2016 and the two months ended 31 May 2016 were HK\$3.3 million, HK\$2.6 million, HK\$2.6 million and HK\$0.4 million, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for the year ending 31 March 2017 to be HK\$3.7 million.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the three years ended 31 March 2016 and the two months ended 31 May 2016. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three financial years ended 31 March 2016 and the two months ended 31 May 2016 by us or any of our subsidiaries to our Directors.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their performance and efficiency and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are important to the long-term growth and profitability of our Group. The principal terms of this scheme are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the aggregate nominal amount of the share capital of our Company in issue as of the Listing Date; and our Board has been authorised to determine the grant of a right to subscribe for Shares under, and pursuant to the terms of the Share Option Scheme and to determine the grantees.

COMPLIANCE ADVISER

We have agreed to appoint Ample Capital Limited to be our compliance adviser upon Listing on the Stock Exchange in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance adviser’s agreement with the compliance adviser prior to the Listing Date, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 March 2018), or until the agreement is terminated, whichever is earlier;
- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- our Company will consult with and, if necessary, seek advice from Ample Capital Limited as our compliance adviser in the following circumstances:
 - (i) before the publication of any regulator announcement, circular or financial report;
 - (ii) where a transaction which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (iii) where our Company intends to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus; and
 - (iv) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules.

STAFF

Please refer to the section headed “Business – Our Employees” of this prospectus for details relating to number of staff, staff benefits, training and recruitment policy of our Group.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option, the share capital of our Company immediately following the Share Offer will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>10,000,000,000</u> Shares		<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>		<i>HK\$</i>
4 Shares in issue at the date of this prospectus		0.04
824,999,996 Shares to be issued pursuant to the Capitalisation Issue		8,249,999.96
<u>175,000,000</u> Shares to be issued pursuant to the Share Offer		<u>1,750,000</u>
<u>1,000,000,000</u> Total		<u>10,000,000</u>

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 15 November 2016, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 824,999,996 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 15 November 2016 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$8,249,999.96 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to any exercise of the Over-allotment Options or the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the section headed “General Mandate to Repurchase Shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our sole Shareholder passed on 15 November 2016” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not

SHARE CAPITAL

more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to any exercise of the Over-allotment Options or the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information – A. Further Information about our Company – 6. Repurchase of our Shares by our Company" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the sections headed "Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our sole Shareholder passed on 15 November 2016" and headed "Statutory and General Information – A. Further Information about our Company – 6. Repurchase of our Shares by our Company" in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" set out in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares held/interested as at the date of the application proof	Percentage of shareholding as at the date of the application proof	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of Shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Wu	Interest in a controlled corporation ^(Note 1)	4	100%	750,000,000	75%
Profit Gold	Beneficial owner ^(Note 1)	4	100%	750,000,000	75%
Ms. Kwok Wai Sheung Melody	Interest of spouse ^(Note 2)	4	100%	750,000,000	75%

Notes:

1. The issued share capital of Profit Gold is owned as to 100% by Mr. Wu. Therefore, Mr. Wu is deemed, or taken to be, interested in all the Shares held by Profit Gold for the purpose of the SFO. Mr. Wu is a director of Profit Gold.
2. Ms. Kwok Wai Sheung Melody is the spouse of Mr. Wu. Accordingly, Ms. Kwok Wai Sheung Melody is deemed, or taken to be, interested in the Shares which Mr. Wu interested in for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

You should read this section in conjunction with our Group's audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus (the "Consolidated Financial Information"). Our Group's Consolidated Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

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

OVERVIEW

We are a Hong Kong-based subcontractor engaged in (i) construction works; and (ii) the provision of construction machinery rental services. Our construction machinery rental services include rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our rental service. Our construction works services represent the construction projects undertaken by us, the nature of which are broadly classified as foundation and site formation works, and builder's work and general building works.

Details of our business overview are set out in the section headed "Business – Business Overview" in this prospectus.

During the Track Record Period, our Group generated revenue of approximately HK\$159.7 million, HK\$366.7 million, HK\$409.3 million, HK\$59.6 million and HK\$69.2 million, respectively, for the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016. The net profit of our Group was approximately HK\$29.2 million, HK\$35.9 million, HK\$36.7 million, HK\$6.6 million and HK\$3.2 million, respectively, for the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016. The overall increasing trend of our revenue was mainly attributable to: (i) the growing recognition in the construction industry of our operational capacity to undertake construction projects of relative larger scale after our participation in certain large scale infrastructure projects in both private and public sectors; (ii) the rapid expansion of our machinery fleet and team of machine operators, and (iii) the rising demand for construction machinery due to the growth in the construction industry in Hong Kong. The increasing trend of our net profit was in line with the trend in our revenue and gross profit for the three years ended 31 March 2016 despite being partially offset by the increase in administrative expenses upon the expansion of our business. For the two months ended 31 May 2015 and 2016, the drop in our net profit was mainly attributable to the Listing expenses incurred and a drop in our gross profit margin during the

FINANCIAL INFORMATION

period. Excluding the Listing expenses incurred during the Track Record Period, our adjusted net profit would have become HK\$29.2 million, HK\$35.9 million, HK\$41.6 million, HK\$6.6 million and HK\$5.1 million, respectively.

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of profit or loss and other comprehensive income during the Track Record Period set forth below is extracted from our Accountants' Report included in Appendix I to this prospectus, and should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus.

Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 March			For the two months ended 31 May	
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
				(unaudited)	
Revenue	159,693	366,729	409,349	59,550	69,207
Cost of services	<u>(122,884)</u>	<u>(314,539)</u>	<u>(342,995)</u>	<u>(48,843)</u>	<u>(61,175)</u>
Gross profit	36,809	52,190	66,354	10,707	8,032
Other income	2,751	2,974	3,101	217	1,213
Administrative expenses	(3,258)	(6,817)	(16,878)	(1,477)	(3,794)
Finance costs	<u>(1,632)</u>	<u>(5,384)</u>	<u>(7,571)</u>	<u>(1,305)</u>	<u>(1,191)</u>
Profit before taxation	34,670	42,963	45,006	8,142	4,260
Income tax expense	<u>(5,429)</u>	<u>(7,100)</u>	<u>(8,258)</u>	<u>(1,582)</u>	<u>(1,094)</u>
Profit and total comprehensive income for the year/period attributable to the owners of the Company	<u>29,241</u>	<u>35,863</u>	<u>36,748</u>	<u>6,560</u>	<u>3,166</u>

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 21 April 2016. Pursuant to the Reorganisation, the construction machinery rental business of Luen Yau Company (the "Construction Machinery Rental Business"), a sole proprietorship established by Mr. Wu, have been transferred to our Group on 1 April 2015 and our Company became the holding companies now comprising our Group on 13 May 2016. Our Group and the Construction Machinery Rental Business have been under the control and beneficially owned by Mr. Wu throughout the Track

FINANCIAL INFORMATION

Record Period or since their respective dates of incorporation or establishment up to 31 May 2016. Our Group comprising our Company and its subsidiaries and the Construction Machinery Rental Business resulting from the Reorganisation is regarded as a continuing entity. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows include the results and cash flows of the companies now comprising our Group and the results of the Construction Machinery Rental Business for the three years ended 31 March 2016 and the two months ended 31 May 2016 have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation up to 31 May 2016 whichever is shorter. The consolidated statements of financial position of our Group and the Construction Machinery Rental Business as at 31 March 2014 and 2015 have been prepared to present our assets and liabilities of the companies comprising our Group and assets and liabilities specifically identified to the Construction Machinery Rental Business and the consolidated statement of financial position of our Group as at 31 March 2016 have been prepared to present the assets and liabilities of the companies comprising the Group both as if the current group structure had been in existence as at those dates. Our consolidated financial statements, which are presented in Hong Kong dollars, have been prepared in accordance with HKFRSs and the disclosure requirements of the Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations.

In addition to the Machinery Rental Business, Luen Yau Company also engages in subleasing of land in the New Territories of Hong Kong (the “Sublease Business”). Principal cost of services of the Construction Machinery Rental Business consisted of depreciation, materials and consumable tools, equipment rental, transportation fees, testing fees and certificates, fuel and diesel, repairment fee and sundry expenses and they were all allocated and identified to the Construction Machinery Rental Business. Other specific components of cost of services, includes rent and rate and building management fee, were attributable to the Sublease Business and were accordingly allocated to the Sublease Business.

Administrative expenses of Luen Yau Company included principally staff salaries, staff welfare and staff related expenses, rent and management fee, depreciation of office equipment and utility expenses. They were all allocated to the Construction Machinery Rental Business because the administrative activities for the Sublease Business were minimal compared to the Construction Machinery Rental Business. Allocation was therefore not considered necessary.

The consolidated financial information has been prepared by our Directors based on consolidated financial statements or, where appropriate, unaudited management accounts of the companies now comprising our Group.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed “Risk factors” in this prospectus. Factors other than those set forth below could also have a significant impact on our results of operations and financial condition in future.

FINANCIAL INFORMATION

Market Demand for construction works and construction machinery rental services in Hong Kong

Our results of operations are mainly affected by the number and availability of construction projects in Hong Kong, which in turn are affected by various factors, including the general economic conditions in Hong Kong, changes in the conditions relating to the Hong Kong construction industry, the budget of the Government expenditures on public works and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure and other macroeconomic factors. The changes may increase or decrease the market demand for our construction works and construction machinery rental services. There is no assurance that the number of construction projects in Hong Kong will not decrease in the future. In the event that the market demand of our construction works and construction machinery rental services decreases as a result of the reduction in the number of construction projects in Hong Kong, our business, financial condition and results of operations may be adversely and materially affected.

Our engagements with our customers in both our construction works service and rental service business segments were on a project by project basis. After completion of the projects, our customers are not obliged to engage us again in subsequent construction projects or rental arrangements, and we have to undergo the entire tender or quotation selection process for every new construction project or rental arrangements. As such, our revenue derived from our construction projects and construction machinery rental services is not recurring in nature.

Our ability to complete construction projects according to specifications, quality and safety standards

Our construction projects must be completed in accordance with customers' specifications, quality standards, safety measures and the specified time frame. Failure to comply with any of these requirements may make us liable to pay penalties or damages, which may jeopardise our reputation and have an adverse effect on our business and profitability.

During the Track Record Period, no claims for any damages or penalties have been made against us by our customers for any of the aforesaid reasons. We continue to give full efforts to ensure our current and future projects are completed in accordance with our customers' specifications, quality standards, safety measures and timetable.

Pricing of our construction works

We determine the price of tender for construction projects based on our cost estimate plus a certain mark-up margin. For details of the factors we take into account when making our cost estimate, please refer to the section headed "Business – Business Model and our Operation – Construction works – 1. Invitation for tendering preparation and submission" in this prospectus. However, the actual time and costs incurred by us may be adversely affected by various factors, including: (i) unexpected geological conditions in the underground of the work sites; (ii) unfavourable weather conditions; (iii) disputes with customers, suppliers, subcontractors and other project parties; (iv) difficulties in retaining necessary number of

FINANCIAL INFORMATION

workers with requisite skills; (v) receipt of variation or supplemental orders from our customers; and (vi) other unforeseen circumstances. Significant deviation in any of these factors or other relevant factors from our expectation may lead to delay in completion or costs overrun by us. There is no assurance that the actual time and costs incurred by us would match our initial estimate and such delays, cost overruns or mismatch of actual time and costs with our estimates may reduce our profitability or expose us to litigation or claims from customers in case of delays.

If we set a significant mark-up margin to cater for the unfavourable circumstances above, our tender may become uncompetitive. There is no assurance that we will always be able to price our tender competitively. If we fail to do so, our customers may opt for our competitors, thereby resulting in a decrease in the number of construction projects awarded to us. This would adversely affect our operations and financial results. Meanwhile, if the mark-up margin set by us is too low, we may not be able to cover the financial impact of any unfavourable circumstances during project implementation. Our profitability in the construction project would hence be adversely and materially affected.

Investment and the addition of machinery

Our construction works and machinery rental services require the use of machinery. To attain to our customer requirements, we need to invest in suitable machinery to cope with the latest development, maintain our competitiveness and adhere to relevant rules and regulation. One of our future plans is to acquire machinery by utilising a portion of the net proceeds from the Share Offer, together with our internal resources and finance leases to be arranged, for the replacement and enhancement of our fleet of machinery by acquiring excavators, bulldozers, compactors, dump trucks, mobile cranes and special purpose vehicles in the coming years to enhance our service capacity to cope with the expected growing demand in the construction industry and to cope with the Technical Circular. As a result of the acquisition of additional machinery, it is expected that additional depreciation will be charged to our profit or loss account and may therefore affect our financial performance and operating results.

In addition, there is no assurance that our machinery will not be malfunctioned, damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. If the damaged or lost machinery cannot be repaired and/or replaced in a timely manner or any write-off of machinery is required, our operations and financial performance could be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgments and uncertainties and potentially yield materially different results under different assumptions and conditions. Note 3 of the Accountants' Report set out in Appendix I to this prospectus sets forth certain significant accounting policies. Our consolidated financial statements have been prepared in accordance with HKFRSs, which requires that we adopt accounting policies and make estimates that we believe are the most reasonable in the circumstances for the purposes of giving a true and fair view of our results of operations and financial condition. Estimates and judgments are based on historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into account of the changing environment and circumstances.

FINANCIAL INFORMATION

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business and net of discounts and sales related taxes.

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

Revenue recognition for construction contracts in relation to site construction, upgrade services of the infrastructure and foundation works included in the segment of construction works is set out in the section headed "Construction contracts" below.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Service income is recognised when services are provided.

Sale of scrap material income is recognised when the customer has accepted the goods and the related risks and rewards of ownership. The income excluded sales tax and is after deduction of any trade discounts.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by referencing to the stage of completion of the contract activity at the end of the reporting period, which is based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered as probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable that such costs will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where the total of the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed the total of the

FINANCIAL INFORMATION

contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and retention receivables.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We generated our revenue principally from the provisions of (a) construction works services and (b) machinery rental services during the Track Record Period.

Revenue by types of services

The following table set forth the breakdown of our revenue by types of services during the Track Record Period:

	For the year ended 31 March						For the two months ended 31 May			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Construction works	107,528	67.3	152,953	41.7	168,949	41.3	25,441	42.7	31,791	45.9
Construction machinery rental	52,165	32.7	213,776	58.3	240,400	58.7	34,109	57.3	37,416	54.1
Total revenue	<u>159,693</u>	<u>100</u>	<u>366,729</u>	<u>100</u>	<u>409,349</u>	<u>100</u>	<u>59,550</u>	<u>100</u>	<u>69,207</u>	<u>100</u>

We have a synergistic business model under which our Group's two business segments supplement each other. As our Group is engaged in construction works, we can utilise our own construction machinery for our construction projects when the construction machinery and machine operators are not subject to rental and thus helps to further utilise our Group's construction machinery and machine operators. Our Group can efficiently perform the construction works at relatively lower costs given the self-owned construction machinery. Furthermore, the construction works business segment of our Group helps to maintain our Group's experienced machine operators. Additionally, our Directors believe that the having a stable and regular workforce coupled with an established fleet of construction machinery enables our Group to cater for projects of various sizes and allows a better coordination in the deployment of labour and construction machinery in different projects, which in turn enhances our efficiency and ability to handle multiple construction projects simultaneously.

FINANCIAL INFORMATION

(a) Construction works

Our construction works services are provided to our customers on construction projects on which we are engaged as a subcontractor. The scope of our construction works are broadly classified by nature into (i) foundation and site formation works; and (ii) builder's work and general building works. Our two construction works services are inter-related to one another and our projects may require one or both types of our services, depending on our customers' needs and requirements for their construction projects.

As the provision of our construction works services is project-based, our contract sum are determined on a project-by-project basis and it is generally based on our estimated costs to be incurred for the potential project plus a mark-up margin. The contract sum of each project varies from types of construction work services provided and the types of projects undertaken. While the underlying contract sum of the construction projects undertaken by us, in general, will determine the total revenue that we could account for, the amount of the revenue to be recognised during the year will generally be determined by the progress of the projects. In other words, our income derived from which is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the contract costs of the contracting work can be measured reliably. The stage of completion of a contract is established by referencing to the proportion that contract costs incurred for work performed to date to the estimated total contract cost.

For the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016, the revenue derived from our construction works services amounted to approximately HK\$107.5 million, HK\$153.0 million, HK\$168.9 million, HK\$25.4 million and HK\$31.8 million respectively, accounting for approximately 67.3%, 41.7%, 41.3%, 42.7% and 45.9% of our total revenue for the respective periods.

Revenue by nature of construction work services

The following table set forth the breakdown of our revenue derived from our construction works services by nature during the Track Record Period:

	For the year ended 31 March						For the two months ended 31 May			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Foundation & site formation	95,804	89.1	107,924	70.6	114,217	67.6	22,407	88.1	23,804	74.9
Builder's work & general building works	11,724	10.9	45,029	29.4	54,732	32.4	3,034	11.9	7,987	25.1
Total revenue from construction works services	107,528	100.0	152,953	100.0	168,949	100.0	25,441	100.0	31,791	100.0

FINANCIAL INFORMATION

(i) *Foundation and site formation works*

Our foundation and site formation works include mainly earthworks and ELS works. During the Track Record Period, we focus on undertaking foundation and site formation works in view of the types of construction machinery possessed by us. Hence, our revenue of construction works during the Track Record Period has been predominantly driven by construction projects where we provided our customers with our foundation and site formation works services.

For the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016, the revenue derived from our foundation and site formation works amounted to approximately HK\$95.8 million, HK\$107.9 million, HK\$114.2 million, HK\$22.4 million and HK\$23.8 million respectively, accounting for approximately 89.1%, 70.6%, 67.6%, 88.1% and 74.9% of our construction revenue for the respective periods.

(ii) *Builder's work and general building works*

Our builder's work is generally works required to be done in connection with other works which are covered by the scope of another specialized subcontractor engaged for the project or for providing other minor building works. Our Directors are of the view that generally we are benefited from the provision of our foundation and site formation works contracts where our customers might also require us to provide builder's work and general building works by way of separate contracts in view of our capacity in resources, manpower sourcing and overall management.

For the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016, the revenue derived from our builder's work and general building works amounted to approximately HK\$11.7 million, HK\$45.0 million, HK\$54.7 million, HK\$3.0 million and HK\$8.0 million respectively, accounting for approximately 10.9%, 29.4%, 32.4%, 11.9% and 25.1% of our construction revenue for the respective periods.

Revenue of our construction works by nature of project

The following table sets forth the breakdown of our revenue of our construction works during the Track Record Period:

	For the year ended 31 March						For the two months ended 31 May			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public project	5,405	5.0	67,466	44.1	67,222	39.8	8,950	35.2	22,252	70.0
Private project	102,123	95.0	85,487	55.9	101,727	60.2	16,491	64.8	9,539	30.0
Total revenue from construction work services	<u>107,528</u>	<u>100</u>	<u>152,953</u>	<u>100</u>	<u>168,949</u>	<u>100</u>	<u>25,441</u>	<u>100</u>	<u>31,791</u>	<u>100</u>

FINANCIAL INFORMATION

Public project

Our public projects are mainly driven by our capacity to undertake foundation and site formation works in view of the types of construction machinery possessed by us. During the Track Record Period, our public projects are mostly involved in public infrastructure projects such as Tai Po water treatment plant and Hong Kong-Zhuhai-Macao Corridor. For the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016, the revenue derived from our public projects was approximately HK\$5.4 million, HK\$67.5 million, HK\$67.2 million, HK\$9.0 million and HK\$22.3 million, which accounted for approximately 5.0%, 44.1%, 39.8%, 35.2% and 70.0% of the revenue from our constructions projects for the respective periods.

Private project

Our private projects included works related to private infrastructure projects such as MTR stations, and midfield concourse in the Hong Kong International Airport. The revenue derived from our private projects was approximately HK\$102.1 million, HK\$85.5 million, HK\$101.7 million, HK\$16.5 million and HK\$9.5 million for the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016, which accounted for approximately 95.0%, 55.9%, 60.2%, 64.8% and 30.0% of our revenue from construction works for the respective periods.

The following table sets forth the breakdown of our revenue from public and private projects by nature of our construction works services during the Track Record Period:

	For the year ended 31 March						For the two months ended 31 May			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
(unaudited)										
Public										
Foundation & site formation	5,405	5.0	67,466	44.1	67,222	39.8	8,950	35.2	21,012	66.1
Builder's work & general building works	-	-	-	-	-	-	-	-	1,240	3.9
Sub-total	5,405	5.0	67,466	44.1	67,222	39.8	8,950	35.2	22,252	70.0
Private										
Foundation & site formation	90,399	84.1	40,458	26.5	46,995	27.8	13,457	52.9	2,792	8.8
Builder's work & general building works	11,724	10.9	45,029	29.4	54,732	32.4	3,034	11.9	6,747	21.2
Sub-total	102,123	95.0	85,487	55.9	101,727	60.2	16,491	64.8	9,539	30.0
Total revenue from construction work services	107,528	100	152,953	100	168,949	100	25,441	100	31,791	100

FINANCIAL INFORMATION

Benefited from the expansion of our machinery fleets in response to the rising demand of construction projects in Hong Kong, the proportion of the revenue contribution derived from our public projects to our construction income has increased significantly from approximately 5.0% for the year ended 31 March 2014 to 44.1% for the year ended 31 March 2015 as we have been awarded five more public projects of various scales of approximately HK\$34.7 million in aggregate, all of which required our foundation and site formation works services. On the other hand, we had experienced a drop in the revenue contribution derived from our private projects for the year ended 31 March 2015. Such drop was attributable to the net effect of (i) the slowdown in demand of our foundation and site formation works services from a sizable private project in midfield concourse in the Hong Kong International Airport; and, (ii) the growth in demand of our drainage works and manpower supply as part of our builder's work and general building works services from a private sizable project in Kennedy Town. As a result, the revenue contribution derived from our private projects to our construction income has dropped significantly from approximately 95.0% to 55.9% for the respective years.

Upon the completion of some major parts of the sizable public project in Tai Po during the year ended 31 March 2015, our Group has undertaken more sizable private projects where our foundation and site formation services are required. Hence, the proportion of the revenue contribution derived from public projects to our construction income has decreased from approximately 44.1% to 39.8% for the two years ended 31 March 2016, while the proportion of the revenue contribution derived from our private projects to our construction income has increased from approximately 55.9% to 60.2% for the two year ended 31 March 2016.

For the two months ended 31 May 2015 and 2016, the proportion of the revenue contribution derived from our public projects to our construction income has increased from approximately 35.2% to 70.0% mainly as a result of the commencement of three public projects on foundation and site formations works and builder's work and general building works in the first quarter of 2016, accounting for approximately HK\$12.6 million of our revenue for the two months ended 31 May 2016 in aggregate. For the two months ended 31 May 2015 and 2016, the sharp cut in our revenue derived from private projects was mainly due to the slowdown in demand of our foundation and site formation works of two major private projects during the period.

(b) Construction machinery rental

The following table sets forth the revenue of our construction machinery rental services during the Track Record Period:

	For the year ended 31 March			For the two months ended 31 May	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Construction machinery rental	52,165	213,776	240,400	34,109	37,416

FINANCIAL INFORMATION

Our revenue from the provision of construction machinery rental services consists of revenue from rental of construction machines and construction vehicles and the provision of machine operators and transportation services as part of our one-stop construction machinery rental service. For rental of construction machines, it mainly involves rental of excavators, dump trucks, loaders, compactors and mobile cranes in Hong Kong. Depending on customers' requirements, our services will also provide licensed machine operators. Our rental of construction vehicles business mainly involves rental of semi-trailers, tractors, tippers and lorry cranes.

For the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016, our revenue from the provision of construction machinery rental services amounted to approximately HK\$52.2 million, HK\$213.8 million, HK\$240.4 million, HK\$34.1 million and HK\$37.4 million. During the Track Record Period, the growth trend was mainly attributable to (i) the rising demand of construction projects in Hong Kong; (ii) the increasing recognition of our Group in construction industry; and, (iii) the expansion of our machinery fleet and team of machine operators to cope with the increasing demand of construction machinery in the market. In particular, our Group purchased construction machinery of approximately HK\$117.7 million and HK\$107.0 million respectively for the two years ended 31 March 2015. The sharp increase in our revenue from the provision of construction machinery rental services proved the success of our strategic move to expand our machinery fleet.

Cost of services

The following table sets out the summary of cost of services by nature during the Track Record Period:

	For the year ended 31 March			For the two months ended 31 May	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Direct staff costs	39,225	109,198	115,963	18,342	18,636
Repair and maintenance costs	20,320	35,929	47,747	8,473	4,769
Depreciation expense for machinery	17,008	47,707	61,024	8,695	10,817
Subcontracting costs	18,777	55,508	65,614	6,279	15,831
Sub-leasing expenses	11,830	47,230	33,904	4,370	8,871
Fuel	6,641	10,090	8,075	1,135	1,143
Others	9,083	8,877	10,668	1,549	1,108
Total	<u>122,884</u>	<u>314,539</u>	<u>342,995</u>	<u>48,843</u>	<u>61,175</u>

FINANCIAL INFORMATION

Our cost of services mainly consists of (i) direct staff costs (ii) subcontracting costs, (iii) sub-leasing expenses; and (iv) machinery operating costs. Our direct staff costs represent compensation and benefits provided to our staff including project and machinery management team, site workers, machine operators and drivers. Subcontracting costs represent the fees payable to our Group's subcontractors. Our sub-leasing expenses represent our rental expenses on construction machinery that our Group did not sufficiently possess in response to the demand by our customers. Our machinery operating costs, which comprise of depreciation expense for machinery, repair and maintenance costs and fuel, represent the operating expenses of our Group to maintain our machinery fleet for the provision of construction works and machinery rental services. During the Track Record Period, our cost of services amounted to approximately HK\$122.9 million, HK\$314.5 million, HK\$343.0 million, HK\$48.8 million and HK\$61.2 million for the three years ended 31 March 2016 and the two months ended 31 May 2016 respectively, representing approximately 77.0%, 85.8%, 83.8%, 82.0% and 88.4% of our revenue for the respective periods. The general increasing trend of our cost of services was in line with our increase in revenue.

During the Track Record Period, we had contra-charge arrangements with some of our customers. Such contra-charge included the provision of training courses by our customers and the purchase cost of certain construction materials used in a construction project. For each of the three years ended 31 March 2016 and the two months ended 31 May 2016, the total contra-charge to our customer, which was included as part of cost of services, amounted to HK\$1.4 million, HK\$4.2 million, HK\$3.0 million and HK\$859 respectively.

The cost of services may deviate from our estimation. There may be fluctuations in the contract costs during the actual implementation of the project. In the event that the contract costs increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

Assuming all other variables remain constant, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in direct staff costs on our profit before tax during the Track Record Period. Based on the historical fluctuation of the relevant costs during the Track Record Period, fluctuations are assumed to be 15%, 100% and 180% for each of the three years ended 31 March 2016 and the two months ended 31 May 2016.

Hypothetical fluctuation in direct staff costs		+/-15%		+/-100%		+/-180%
		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>
Changes in profit before tax						
For the year ended 31 March 2014	+/-	5,884	+/-	39,225	+/-	70,606
For the year ended 31 March 2015	+/-	16,380	+/-	109,198	+/-	146,557
For the year ended 31 March 2016	+/-	17,394	+/-	115,963	+/-	208,734
For the two months ended 31 May 2016	+/-	2,795	+/-	18,636	+/-	33,545

For the impact of hypothetical fluctuations in depreciation expenses and repair and maintenance cost on our profit before tax during the Track Record Period, please refer to our detail analysis in the paragraph "Business – Our machinery – Sensitivity analysis" in this prospectus.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit and gross profit margin by type of services during the Track Record Period are set forth as follows:

Gross profit margin by types of services	For the year ended 31 March						For the two month ended 31 May			
	2014 HK\$'000	Margin %	2015 HK\$'000	Margin %	2016 HK\$'000	Margin %	2015 HK\$'000	Margin %	2016 HK\$'000	Margin %
Construction works	32,747	30.5	23,530	15.4	35,365	20.9	4,649	18.3	5,312	16.7
Construction machinery rental	4,062	7.8	28,660	13.4	30,989	12.9	6,058	17.8	2,720	7.3
Total gross profit	36,809	23.1	52,190	14.2	66,354	16.2	10,707	18.0	8,032	11.6

Our gross profit and gross profit margin of construction works from public and private projects by nature of our construction work services during the Track Record Period are set forth as follows:

	For the year ended 31 March						For the two months ended 31 May			
	2014 HK\$'000	Margin %	2015 HK\$'000	Margin %	2016 HK\$'000	Margin %	2015 HK\$'000	Margin %	2016 HK\$'000	Margin %
Private										
Foundation & site formation	28,639	31.7	5,195	12.8	11,976	25.5	2,546	18.9	695	24.9
Builder's work & general building works	3,027	25.8	8,933	19.8	12,000	21.9	592	19.5	1,012	15.0
Sub-total	31,666	31.0	14,128	16.5	23,976	23.6	3,138	19.0	1,707	17.9
Public										
Foundation & site formation	1,081	20.0	9,402	13.9	11,389	16.9	1,511	16.9	3,444	16.4
Builder's work & general building works	-	-	-	-	-	-	-	-	161	13.0
Sub-total	1,081	20.0	9,402	13.9	11,389	16.9	1,511	16.9	3,605	16.2
Total gross profit from construction works services	32,747	30.5	23,530	15.4	35,365	20.9	4,649	18.3	5,312	16.7

FINANCIAL INFORMATION

During the Track Record Period, our overall gross profit margin is the result of the proportion of revenue derived from different mix of (i) the types of services undertaken by us; and (ii) the types of construction works provided by us.

(i) Analysis of gross profit margin by type of services

While the use of our construction machinery is shared among construction works services and machinery rental services, overhead expenses comprising the depreciation expense and repair and maintenance costs for our construction machinery are allocated to construction works according to specific machinery used for each construction project. On the other hand, the overhead expenses of all of our construction machinery, other than those allocated to construction works, is fully allocated to our construction machinery rental segment, even the relevant construction machinery is idle. Since we have expanded our machinery fleet during the Track Record Period, in particular for the year ended 31 March 2014 and 2015, the relevant depreciation expense was relatively large and affected our gross profit margin during the Track Record Period, in particular for the construction machinery rental segment. Accordingly, the gross profit margin for our machinery rental services was generally lower than the gross profit margin derived from our construction works services.

During the Track Record Period, the gross profit margin from our machinery rental services was mainly affected by (i) the amount of depreciation expense which was affected by the book value of our construction machinery; and (ii) the utilisation rate of our construction machinery. The gross profit margin from construction project varies from project to project and depends on factors including the nature of our customers and the amount of variation order. The mark-up margin we charge for our construction project depends on factors set out in the section headed “Financial Information – Key Factors Affecting the Results of Operations and Financial Condition – Pricing of our construction works” of this prospectus. Please also refer to our analysis of gross profit margin of construction works set out in the section headed “Analysis of gross profit margin of construction works” below.

For the year ended 31 March 2014, the overall gross profit of our Group was mainly driven by our construction works services, accounting for over 80% of our overall gross profit. The decrease in the overall gross profit margin of our Group for the year ended 31 March 2015 was mainly attributable to (i) the significant increase in the revenue contribution derived from our construction machinery rental service, the profit margin of which was relatively lower than our construction works; and (ii) the lower gross profit margin of our construction works as explained below. The gross profit margin of our construction machinery rental services increased for the year ended 31 March 2015 mainly due to higher utilisation rate of our construction machinery during the year. For the year ended 31 March 2016, the overall gross profit margin increased as we have improved our gross profit margin derived from our construction works services. For the two months ended 31 May 2016, the overall gross profit margin dropped mainly due to drop in gross profit margin from our construction rental services which was due to (i) the increase in our sub-leasing costs to cope with the request of our customer for certain specific construction machinery; and (ii) lower utilisation rate for certain newly acquired machinery due to the time spent for obtaining relevant certifications.

FINANCIAL INFORMATION

(ii) Analysis of gross profit margin of construction works

Our construction works services in general recorded a different range of gross profit margins during Track Record Period for our public projects and private projects respectively. During the Track Record Period, our Group mainly directly dealt with main contractors for our private projects and negotiated for a relatively higher range of gross profit margins. On the other hand, as we generally dealt with subcontractors for our public projects, the mark-up we could charge was lower given that the multi-layer engagement. Our gross profit margin of construction works derived from our private projects was approximately 31.0%, 16.5%, 23.6%, 19.0% and 17.9% for the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016 respectively. Our gross profit margin of construction works derived from our public projects was approximately 20.0%, 13.9%, 16.9%, 16.9% and 16.2% for the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016 respectively.

Upon the continuous expansion of our machinery fleet since the year ended 31 March 2014, the increase in depreciation expenses derived from our newly acquired machinery led to an overall drop in the gross profit margins for both our private and public projects over the Track Record Period.

The gross profit margin of our public projects dropped from approximately 20.0% to 13.9% for the two years ended 31 March 2015 as a result of the majority of our public projects for the year ended 31 March 2015 (including five new projects and one sizable project in Tai Po brought forward from previous year) had a relatively low gross profit margins ranging from approximately 11.9% to 15.0%. Similarly, the gross profit margin from private projects also dropped significantly from approximately 31.0% to 16.5% for the respective years, mainly driven by: (i) a significant drop in gross profit margin for a sizable private project in midfield concourse of the Hong Kong International Airport from 30.0% to 12.9% for the respective years. The gross profit margin of such project for year ended 31 March 2014 was significantly high due to a high-margin variation order of the project at the request of our customer; and (ii) a drop in gross profit margin from 25.0% to 21.8% during the respective years from a sizable private project in Kennedy Town where we have incurred higher cost of services by engaging more labor and subcontractors in providing general builder's works to cope with the variation orders of the project. For the two years ended 31 March 2016, the gross profit margin of our public projects improved from approximately 13.9% to 16.9% as our Group has undertaken high-margin variation orders from the public project in Tai Po, the gross profit margin of which increased from 11.9% to 28.2% for the respective years. The gross profit margin of our private projects also improved from approximately 16.5% to 23.6% for the respective years as a result of undertaking a number of sub-contracts of foundation and site formation works with higher profit margins, supplemental to the main contract of the sizable private project in midfield concourse in the Hong Kong International Airport. For the two months ended 31 May 2015 and 2016, where the gross profit margin derived from our public projects remained relatively stable, the gross profit margin derived from our private projects decreased from approximately 19.0% to 17.9% mainly attributable to the commencement of a private project involving other builder's work and general building works services of a relatively lower gross profit margin.

FINANCIAL INFORMATION

Other income

Other income during the Track Record Period mainly included the sales of scrap materials, such as scrap steels and stones, which were mainly originated from our construction sites from our construction projects. Our other income also included other operating income, such as bank interest income, machine repairing service income, and other sundry income which remained immaterial to our Group during the Track Record Period.

Administrative expenses

Administrative expenses during the Track Record Period consisted primarily of staff costs, legal and professional fees, depreciation, travel and entertainment expenses, Listing fees and impairment loss on trade receivables. The following table sets out the administrative expenses by nature during the Track Record Period:

	For the year ended 31 March			For the two months ended 31 May	
	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)				
Listing fees	–	–	4,849	–	1,936
Staff costs (including director emolument)	390	3,426	4,896	673	916
Legal and professional fees	227	247	795	101	471
Depreciation	384	693	689	73	141
Travel and entertainment expense	1,153	1,252	1,105	72	79
Rent and rate	82	149	356	49	65
Loss on disposal of fixed assets	38	128	657	427	58
Bank Charges	35	46	60	10	39
Impairment loss on trade receivables	–	171	2,636	–	–
Others	949	705	835	72	89
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>3,258</u>	<u>6,817</u>	<u>16,878</u>	<u>1,477</u>	<u>3,794</u>

FINANCIAL INFORMATION

Finance costs

Our finance costs mainly represented interest expenses in relation to our bank borrowings and our finance leases during the Track Record Period. Our finance costs amounted to approximately HK\$1.6 million, HK\$5.4 million, HK\$7.6 million, HK\$1.3 million and HK\$1.2 million for the three years ended 31 March 2016 and for the two months ended 31 May 2015 and 2016. The general increase in the finance costs was driven by the increasing use of finance leases to purchase construction machinery upon the expansion of our machinery fleet.

Income tax

All of our Group's revenue during the Track Record Period was derived in Hong Kong, therefore, our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax was provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. Our construction machinery rental business for the two years ended 31 March 2014 and 2015, which was generated by Luen Yau Company which was a sole proprietorship, was subject to Hong Kong profits tax under personal assessment with progressive rate ranging from 2% to 17% on the estimated assessable profits. The effective tax rates of our Group for the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016 were approximately 15.7%, 16.5% and 18.4%, 16.5% and 24.5% respectively.

Net profit and net profit margin

We recorded net profit of HK\$29.2 million, HK\$35.9 million and HK\$36.7 million, HK\$6.6 million and HK\$3.2 million for the three years ended 31 March 2016 and the two months ended 31 May 2015 and 2016, representing a net profit margin of 18.3%, 9.8%, 9.0%, 11.0% and 4.6% respectively. The decrease of the net profit margin was generally in line with the fluctuations in our gross profit margin and also attributable to the general upward trend of our administrative expenses and finance costs, which have been explained above. Excluding the Listing expense of HK\$4.8 million and HK\$1.9 million for the year ended 31 March 2016 and the two months ended 31 May 2016, our adjusted net profit would have been HK\$29.2 million, HK\$35.9 million, HK\$41.6 million, HK\$6.6 million and HK\$5.1 million for the respective periods, representing adjusted net profit margins of approximately 18.3%, 9.8%, 10.2%, 11.0% and 7.4%, respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Two months ended 31 May 2016 compared to two months ended 31 May 2015

Revenue

Our Group's revenue increased by approximately 16.2% from approximately HK\$59.6 million to HK\$69.2 million for the two months ended 31 May 2015 and 2016. Such increase during the period was mainly attributable to: (i) the increase in revenue of our construction works from approximately HK\$25.4 million to HK\$31.8 million; and (ii) the increase in revenue of our construction machinery rental from approximately HK\$34.1 million to HK\$37.4 million. Please see the section headed "Financial Information – Principal Components of Results of Operations – Revenue" for our detailed analysis for the increase in revenue from our two types of services.

FINANCIAL INFORMATION

Cost of Services

Our cost of services increased by approximately 25.2% from approximately HK\$48.8 million to approximately HK\$61.2 million for the two months ended 31 March 2015 and 2016. Such increase was in line with the upward trend of the revenue during the period, which was mainly driven by (i) the significant increase in our machinery operating costs resulted from the expansion of our machinery fleet; (ii) the significant increase in our subcontracting costs; and (iii) the increase in our sub-leasing costs for construction machinery as we did not possess particular construction machinery requested by our customers.

Gross profit and gross profit margin

Our gross profit decreased by approximately 25.0% from approximately HK\$10.7 million to approximately HK\$8.0 million for the two months ended 31 May 2015 and 2016, while our gross profit margin decreased from approximately 18.0% to 11.6% for the respective periods. The decrease in gross profit margin was mainly attributable to the decrease in the gross profit margins of both of our construction works services and construction machinery rental services, details of which are set out in the section headed “Financial Information – Principal Components of Results of Operations – Gross profit and gross profit margin” in this prospectus.

Administrative expense

Our administrative expenses increased by approximately 156.9% from approximately HK\$1.5 million to HK\$3.8 million for the two months ended 31 May 2015 and 2016. Such increase was mainly attributable to the recognition of Listing fees of approximately HK\$1.9 million and the increase in remuneration paid to our Directors.

Finance costs

Our finance costs decreased by approximately 8.7% from approximately HK\$1.3 million to HK\$1.2 million for the two months ended 31 May 2015 and 2016. Such decrease was mainly due to the decrease of interest on obligation under finance leases by HK\$0.2 million.

Taxation

The effective tax rate for the two months ended 31 May 2016 was higher than the statutory profit tax rate of 16.5% which was mainly due to the recognition of Listing expenses of approximately HK\$1.9 million, which was not deductible for tax purpose.

Net Profit

Our Group’s net profit decreased by approximately 51.7% from approximately HK\$6.6 million to HK\$3.2 million, for the two months ended 31 May 2015 and 2016. Such drop was mainly attributable to the decrease in our gross profit during the period and the recognition of Listing expenses as explained above.

FINANCIAL INFORMATION

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

Revenue

Our Group's revenue increased by approximately 11.6% from approximately HK\$366.7 million to HK\$409.3 million for the two years ended 31 March 2016, which was mainly attributable to (i) the increase in revenue of our construction machinery rental business from approximately HK\$213.8 million to approximately HK\$240.4 million for the two years ended 31 March 2016; and (ii) the increase in the revenue derived from our construction work services from approximately HK\$153.0 million to approximately HK\$168.9 million for the two years ended 31 March 2016. Please see the section headed "Financial Information – Principal Components of Results of Operations – Revenue" in this prospectus for our detailed analysis of the increase in our revenue derived from our two types of services.

Cost of services

Our cost of services increased by approximately 9.0% from approximately HK\$314.5 million for the year ended 31 March 2015 to approximately HK\$343.0 million for the year ended 31 March 2016. Such increase was in line with the upward trend of the revenue during the year and was mainly attributable to: (i) the increase in staff costs in response to the expansion of our business; (ii) the increase in our subcontracting costs; and (iii) the increase in our machinery operating costs resulted from the expansion of our machinery fleet.

Gross profit and gross profit margin

Our gross profit increased by approximately 27.1% from approximately HK\$52.2 million to HK\$66.4 million for the two years ended 31 March 2016, while our gross profit margin increased from approximately 14.2% to 16.2%. Such increase in our gross profit was mainly in line with the growth in our revenue during the year. The increase in our gross profit margin was mainly driven by the increase in our gross profit margin derived from construction works services from approximately 15.4% to 20.9%, details of which are set out in the section headed "Financial Information – Principal Components of Results of Operations – Gross profit and gross profit margin" in this prospectus.

Administrative expenses

For the two years ended 31 March 2016, our administrative expenses increased by 147.6% from approximately HK\$6.8 million to HK\$16.9 million. Such increase was mainly attributable to the increase in impairment loss on trade receivables by approximately HK\$2.6 million during the period in view of a long outstanding trade receivable with a major customer of our Group, as well as the recognition of Listing fees of approximately HK\$4.8 million for the year ended 31 March 2016.

Finance costs

Our finance costs increased by approximately 40.6% from approximately HK\$5.4 million to HK\$7.6 million for the two years ended 31 March 2016. The increase was mainly attributable to the increase in finance leases incurred for the expansion of our rental fleet.

FINANCIAL INFORMATION

Taxation

The effective tax rates for the two years ended 31 March 2016 were approximately 16.5% and 18.4% respectively. The effective tax rate for the year ended 31 March 2016 was higher than the statutory profit tax rate of 16.5% which was mainly due to the recognition of Listing expenses of approximately HK\$4.8 million, which was not deductible for tax purpose.

Net Profit

Our Group's net profit increased by approximately 2.5% from approximately HK\$35.9 million to HK\$36.7 million, mainly due to the net effect of (i) the increase in our gross profit; and (ii) the increase in administrative expenses as explained above.

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

Revenue

Our Group's revenue increased by approximately 129.6% from approximately HK\$159.7 million to HK\$366.7 million for the two years ended 31 March 2015. Such increase was mainly attributable to: (i) the increase in our revenue derived from our construction machinery rental business from approximately HK\$52.2 million to HK\$213.8 million for the two years ended 31 March 2015; and (ii) the increase in revenue derived from our construction projects from approximately HK\$107.5 million for the year ended 31 March 2014 to approximately HK\$153.0 million for the year ended 31 March 2015. Please refer to the section headed "Financial Information – Principal Components of Results of Operations – Revenue" in this prospectus for detailed analysis for the increase in our revenue derived from our two types of services.

Cost of services

Our cost of services increased by approximately 156.0% from approximately HK\$122.9 million to approximately HK\$314.5 million for the two years ended 31 March 2015. Such increase was in line with the growth trend of revenue during the year, which was mainly due to the increase in direct staff costs, subcontracting costs and machinery operating costs in response to the expansion of our machinery fleet and our expansion of business.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$15.4 million from approximately HK\$36.8 million to approximately HK\$52.2 million for the two years ended 31 March 2015, while our gross profit margin decreased significantly from approximately 23.1% to 14.2% for the two years ended 31 March 2015, as a result of: (i) the increase in revenue derived from our construction machinery rental services, which generally have a lower profit margin compared with the revenue derived from our construction works; and (ii) the decrease in gross profit margin of construction works, detailed analysis of which are set out in the section headed "Financial Information – Principal Components of Result of Operations – Gross profit and gross profit margin" in this prospectus.

FINANCIAL INFORMATION

Administrative expenses

Our Group's administrative expenses increased by approximately 109.2% from approximately HK\$3.3 million to approximately HK\$6.8 million for the two years ended 31 March 2015. The increase was mainly attributable to the increase of staff costs by HK\$3.0 million in response to the expansion of our business.

Finance costs

Finance costs increased significantly from approximately HK\$1.6 million to HK\$5.4 million for the two years ended 31 March 2015. Such increase was mainly due to the increase in finance leases incurred for the expansion of our machinery fleet.

Taxation

The income tax expenses increased from HK\$5.4 million for the year ended 31 March 2014 to HK\$7.1 million for the year ended 31 March 2015. The effective tax rates for the two years ended 31 March 2015 were approximately 15.7% and 16.5% respectively, which were generally in line with the statutory profits tax rate of 16.5%. The effective tax rate of 15.7% for the year ended 31 March 2014 was mainly due to the lower tax rate of Luen Yau Company (being a sole proprietorship).

Net Profit

Our Group's profit for the year increased by approximately 22.6% from approximately HK\$29.2 million to HK\$35.9 million for the two years ended 31 March 2015, mainly due to the net effect of (i) the increase in gross profit; (ii) the increase in administrative expenses and finance costs as explained above.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources and bank loans during the Track Record Period. Our Group's principal uses of cash have been, and are expected to continue to be, operational costs for construction projects and purchase of construction machinery. Upon Listing, our sources of funds will be a combination of internal generated funds, bank loans and net proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank loans and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank loans when they fall due.

FINANCIAL INFORMATION

Cash Flows

The following table sets forth the cash flows for the periods indicated:

	For the year ended 31 March			Two months ended 31 May	
	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 the beginning of the year/period	2,249	2,332	8,169	8,169	15,065
Net cash (used in)/ generated from operating activities	48,634	56,171	34,232	(4,990)	23,930
Net cash (used in)/ generated from investing activities	(73,212)	(19,866)	(27,079)	(1,609)	(5,358)
Net cash generated from/(used in) financing activities	24,661	(30,468)	(257)	93	(18,581)
Net increase/(decrease) in cash and cash equivalents	83	5,837	6,896	(6,506)	(9)
Cash and cash equivalents at the end of the year/period	<u>2,332</u>	<u>8,169</u>	<u>15,065</u>	<u>1,663</u>	<u>15,056</u>

Net cash flows from operating activities

For the year ended 31 March 2014, we had net cash from operating activities of approximately HK\$48.7 million while our profit before taxation was approximately HK\$34.7 million. The difference was mainly attributable to the net effect of: (i) the adjustments of depreciation of machinery and equipment of approximately HK\$17.4 million; (ii) the increase in trade and retention receivables of approximately HK\$16.1 million; (iii) the increase in trade and other payable and amount due to customers for contract works in aggregate of approximately HK\$8.2 million; and (iv) the decrease in amount due from customer for contract works of approximately HK\$3.4 million.

For the year ended 31 March 2015, we had net cash from operating activities of approximately HK\$56.2 million while our profit before taxation was approximately HK\$43.0 million. The difference was mainly attributable to the net effect of: (i) the adjustments of depreciation of machinery and equipment of approximately HK\$48.4 million; (ii) the increase in trade and retention receivables of approximately HK\$48.3 million; and (iii) the increase in trade and other payable and amount due to customers for contract works in aggregate of approximately HK\$14.7 million.

FINANCIAL INFORMATION

For the year ended 31 March 2016, we had net cash from operating activities of approximately HK\$34.2 million while our profit before taxation was approximately HK\$45.0 million. The difference was mainly attributable to the net effect of: (i) the adjustments of depreciation of machinery and equipment and finance cost in aggregate of approximately HK\$69.3 million; (ii) the increase in trade and retention receivables of HK\$98.2 million; and (iii) the increase in trade and other payables of approximately HK\$30.6 million.

For the two months ended 31 May 2015, we recorded net cash used in operating activities of approximately HK\$5.0 million while our profit before taxation was approximately HK\$8.1 million. The difference was mainly attributable to the net effect of: (i) the adjustments of depreciation of machinery and equipment and finance cost in aggregate of approximately HK\$11.0 million; (ii) the increase in trade and retention receivables of HK\$45.7 million; and (iii) the increase in trade and other payables and amount due to customers for contract works in aggregate of approximately HK\$21.9 million.

For the two months ended 31 May 2016, we had net cash from operating activities of approximately HK\$23.9 million while our profit before taxation was approximately HK\$4.3 million. The difference was mainly attributable to the net effect of: (i) the adjustments of depreciation of machinery and equipment and finance cost in aggregate of approximately HK\$12.1 million; (ii) the increase in amount due from customers for contract works of HK\$14.5 million; and (iii) the increase in trade and other payables of approximately HK\$16.6 million.

Net cash flows from/used in investing activities

For the year ended 31 March 2014, we had net cash flows used in investing activities of approximately HK\$73.2 million, which was mainly attributable to the purchase of machinery and equipment of approximately HK\$74.0 million.

For the year ended 31 March 2015, we had net cash flows used in investing activities of approximately HK\$19.9 million, which was attributable to the net effect of (i) the purchase of machinery and equipment of approximately HK\$27.7 million; and (ii) the proceeds from the disposal of machinery and equipment of approximately HK\$7.8 million.

For the year ended 31 March 2016, we had net cash flows used in investing activities of approximately HK\$27.1 million, which was mainly attributable to the net effects of: (i) the purchase of machinery and equipment of approximately HK\$29.2 million; and (ii) the proceeds from disposal of machinery and equipment of approximately HK\$2.1 million.

For the two months ended 31 May 2015, we had net cash flows used in investing activities of approximately HK\$1.6 million, which was attributable to the purchase of machinery and equipment of approximately HK\$1.6 million.

For the two months ended 31 May 2016, we had net cash flows used in investing activities of approximately HK\$5.4 million, which was mainly attributable to the purchase of and repayment for machinery and equipment of approximately HK\$5.5 million.

FINANCIAL INFORMATION

Net cash flows from/used in financing activities

For the year ended 31 March 2014, we had net cash flows generated from financing activities of approximately HK\$24.7 million, which was mainly attributable to the net effect of: (i) the advance from controlling shareholder of approximately HK\$33.4 million; and (ii) the repayment of obligations under finance lease of approximately HK\$7.1 million.

For the year ended 31 March 2015, we had net cash flows used in financing activities of approximately HK\$30.5 million, which was mainly attributable to the net effect of (i) the repayment of obligations under finance lease of approximately HK\$22.4 million; (ii) the repayment to controlling shareholder of approximately HK\$6.4 million; (iii) interest paid of approximately HK\$5.4 million; and (iv) new bank borrowings raised of approximately HK\$3.4 million.

For the year ended 31 March 2016, we had net cash flows used in financing activities of approximately HK\$0.3 million, which was mainly attributable to the net effect of (i) the repayment of obligations under finance lease of approximately HK\$19.7 million; (ii) the repayment to controlling shareholder of approximately HK\$18.7 million; (iii) interest paid of approximately HK\$7.6 million; (iv) new bank borrowings raised of approximately HK\$18.4 million; and (v) advance from a related company of approximately HK\$28.5 million.

For the two months ended 31 May 2015, we had net cash flows generated from financing activities of approximately HK\$0.1 million, which was mainly attributable to the net effects of (i) advance from a related company of approximately HK\$5.8 million; (ii) the repayment of obligations under finance lease of approximately HK\$5.6 million; (iii) the repayment to controlling shareholder of approximately HK\$2.9 million; and (iv) the interest paid of approximately HK\$1.3 million.

For the two months ended 31 May 2016, we had net cash flows used in financing activities of approximately HK\$18.6 million, which was mainly attributable to the net effect of (i) the repayment of obligations under finance lease of approximately HK\$7.5 million; (ii) the repayment to controlling shareholder of approximately HK\$8.6 million; (iii) the repayment of bank borrowings of approximately HK\$4.1 million; and (iv) the new bank borrowings raised of approximately HK\$2.2 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

	As at 31 March			As at 31 May 2016	As at 30 September 2016
	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> (unaudited)
Current assets					
Trade and retention receivables	62,188	110,312	148,735	144,190	155,354
Amounts due from customers for contract work	–	740	7,059	21,603	20,927
Deposits, prepayment and other receivables	828	5,169	8,014	8,384	8,744
Amount due from a controlling shareholder	–	–	18,654	–	–
Amount due from a related company	–	361	1,039	–	–
Bank balances and cash	2,332	8,334	15,065	15,056	13,134
	<u>65,348</u>	<u>124,916</u>	<u>198,566</u>	<u>189,223</u>	<u>198,159</u>
Current liabilities					
Trade and other payables	23,324	31,938	56,703	73,285	75,797
Amounts due to customers for contract work	2,100	8,196	2,856	3,251	2,852
Amount due to a controlling shareholder	37,696	31,299	–	1,796	1,325
Amount due to a related company	–	–	12,740	13,209	–
Income tax payable	6,236	5,730	14,376	15,551	18,155
Secured bank borrowings	–	3,394	16,433	14,622	16,527
Obligations under finance leases – due within one year	13,258	36,097	41,872	43,711	42,891
Bank overdraft	–	165	–	–	–
	<u>82,614</u>	<u>116,819</u>	<u>144,980</u>	<u>165,425</u>	<u>157,547</u>
Net current (liabilities) assets	<u>(17,266)</u>	<u>8,097</u>	<u>53,586</u>	<u>23,808</u>	<u>40,612</u>

FINANCIAL INFORMATION

For the year ended 31 March 2014, we recorded a net current liabilities, which was mainly attributable to our increase in non-current assets (being construction machinery we purchased for the year) through the advance from our Controlling Shareholder (current liabilities) and finance leases (current portion of which were classified as current liabilities).

Our net current liabilities significantly improved from approximately HK\$17.3 million as at 31 March 2014 to net current asset approximately HK\$8.1 million as at 31 March 2015. Such improvement was mainly attributable to the net profit for the year ended 31 March 2015 of approximately HK\$35.9 million.

Our net current asset significantly increased from approximately HK\$8.1 million as at 31 March 2015 to approximately HK\$53.6 million as at 31 March 2016. Such increase was mainly attributable to the net profit for the year ended 31 March 2016 of approximately HK\$36.7 million.

Our net current asset decreased from approximately HK\$53.6 million as at 31 March 2016 to approximately HK\$23.8 million as at 31 May 2016. Such drop was mainly attributable to the net effect of (i) the net profit for the two months ended 31 May 2016 of approximately HK\$3.2 million and (ii) the declaration of dividend of approximately HK\$29.0 million for the two months ended 31 May 2016.

Our net current asset increased from approximately HK\$23.8 million as at 31 May 2016 to approximately HK\$40.6 million as at 30 September 2016. Such increase was mainly attributable to the net profit during the four months.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Machinery and equipment

Our machinery and equipment mainly consists of our construction machinery, the aggregate net book value of which accounted for almost all the total net book value of our machinery and equipment throughout the Track Record Period. As at 31 March 2014, 2015 and 2016 and 31 May 2016, the aggregate net book value of our construction machinery amounted to approximately HK\$115.7 million, HK\$166.4 million, HK\$136.4 million and HK\$140.9 million respectively. We substantially expanded our machinery fleet during the Track Record Period. For the three years ended 31 March 2016 and the two months ended 31 May 2016, we purchased construction machinery of approximately HK\$117.7 million, HK\$107.0 million, HK\$34.5 million and HK\$15.6 million respectively. We mainly financed our purchase of construction machinery through the increased use of finance leases. Our machinery and equipment are depreciated on a straight-line basis over their estimated useful lives of 4 years. All of our construction machinery were well maintained and available for rental to our customers and our construction works. No impairment had been made on the net book value of our construction machinery during the Track Record Period. We assess annually whether our construction machinery have any indication of impairment. The recoverable amounts of machinery and equipment have been determined based on value-in-use calculation if there is indication of impairment. Further details of our construction machinery are set out in the section headed “Business – Our Machinery” of this prospectus.

FINANCIAL INFORMATION

Trade and retention receivables

Our Group's trade and retention receivables consist of trade receivables and retention receivables. For our construction works, in accordance with the terms of the subcontracts, we are generally required to submit to our customers on a monthly basis with a payment application which is a written statement of the value of our work done under the subcontract along with any variation. Our customers will assess the payment application and certify the amount we are entitled to be paid for the relevant month. A payment certificate will be issued to us and the payment will be made to us once our customer is satisfied with our payment application. In general, it takes around four weeks to receive the certified amount after we submit our payment application. Our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for the project. The retention monies are generally released to us in two instalments but the retention period could vary. The first half of the retention monies is generally released after the completion of our subcontract work while the second half is generally released 12 months after completion of the subcontract work or after the defect liability period respectively. For our construction machinery rental business, we provide our customers with an invoice on a monthly basis and we generally provide our customer a credit period of 30-60 days after issuance of our invoice.

The following table sets out the breakdown of trade receivables and retention receivables as at each reporting date:

	As at 31 March			As at 31 May
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	46,242	91,074	125,283	120,235
Retention receivables	<u>15,946</u>	<u>19,238</u>	<u>23,452</u>	<u>23,955</u>
	<u>62,188</u>	<u>110,312</u>	<u>148,735</u>	<u>144,190</u>

We do not hold any collateral over these balances.

FINANCIAL INFORMATION

The following is an aging analysis of trade receivables, net of allowance for impairment of trade receivables, based on the certified report or invoices which approximates revenue recognition date at the end of each reporting period.

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction works				
Within 30 days	8,981	16,447	7,748	8,152
31 to 60 days	18,530	8,781	6,495	6,821
61 to 90 days	–	1,344	3,628	7,546
91 to 180 days	–	187	7,390	3,275
Over 181 days	–	356	1,033	936
	<u>27,511</u>	<u>27,114</u>	<u>26,294</u>	<u>26,730</u>
Construction machinery rental				
Within 30 days	12,525	29,799	18,488	17,883
31 to 60 days	4,511	16,320	17,454	17,192
61 to 90 days	840	13,599	11,359	16,968
91 to 180 days	569	3,828	32,876	27,011
Over 181 days	285	413	18,812	14,451
	<u>18,731</u>	<u>63,960</u>	<u>98,989</u>	<u>93,505</u>
Overall				
Within 30 days	21,506	46,246	26,236	26,035
31 to 60 days	23,041	25,101	23,949	24,013
61 to 90 days	840	14,943	14,987	24,514
91 to 180 days	569	4,015	40,266	30,286
Over 181 days	286	769	19,845	15,387
	<u>46,242</u>	<u>91,074</u>	<u>125,283</u>	<u>120,235</u>

FINANCIAL INFORMATION

The movement in the allowance for impairment of trade receivables is set out below:

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
At the beginning of the year	–	–	171	2,807
Impairment loss recognised on trade receivables	–	171	2,636	–
At the end of the year	–	171	2,807	2,807

Our Group reviews the recoverable amount of each individual trade and retention receivables regularly at the end of each reporting period. Our policy for making impairment loss on trade and retention receivable is based on the regular evaluation of collectability and the aging analysis of accounts which overdues for more than 90 days, taking into account the current creditworthiness, past collection history and the future commitment to follow the negotiated repayment plan after approaching the debtor. Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately nil, HK\$0.2 million, HK\$2.8 million and HK\$2.8 million as at 31 March 2014, 2015, 2016 and 31 May 2016, due to long outstanding and unsatisfactory repayment records.

Our neither past due nor impaired trade receivables mainly represented sales made to creditworthy customers for whom there was no recent history of default.

The aging analysis of trade receivable that were past due but not impaired are as follows:

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Past due but not impaired:				
Within 30 days	22,926	30,915	23,187	22,762
31 to 60 days	840	11,216	24,183	25,948
61 to 90 days	303	3,339	16,325	11,232
91 to 180 days	329	851	17,680	18,810
Over 181 days	223	595	6,054	4,610
	24,621	46,916	87,429	83,362

FINANCIAL INFORMATION

As at 31 March 2014, 2015 and 2016 and 31 May 2016, included in our trade receivable balances were approximately HK\$24.6 million, HK\$46.9 million, HK\$87.4 million and HK\$83.4 million respectively which were past due at the end of each reporting period. As at 30 September 2016, approximately 75.3% of the HK\$83.4 million which were past due but not impaired as at 31 May 2016 has been subsequently settled. Our Directors did not provide for impairment loss on these balances as they were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered as recoverable. The average age of these receivables as at 31 March 2014, 2015, 2016 and 31 May 2016 were 47 days, 66 days, 130 days and 84 days respectively.

The following table sets forth the turnover days of trade receivables (calculated as the average of beginning and ending total trade receivables for the period divided by revenue for the period, and multiplied by the number of days in the period) for the financial periods indicated:

	For the year ended 31 March			For the two months ended 31 May
	2014	2015	2016	2016
Trade receivable turnover days				
Construction works	100.9	65.2	57.7	50.9
Construction machinery rental	81.1	70.6	123.7	156.9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Overall	<u>94.5</u>	<u>68.3</u>	<u>96.5</u>	<u>107.9</u>

Our overall trade receivables turnover days decreased from approximately 94.5 days to 68.3 days as at 31 March 2014 and 2015 was mainly attributable to the billing of a major construction project which was close to the year-end date of the year ended 31 March 2014 and the overdue amounts of certain customers of our construction machinery rental business as at 31 March 2014. Our trade receivables turnover days for both construction works and machinery rental businesses decreased from approximately 100.9 days and 81.1 days for the year ended 31 March 2014 to approximately 65.2 days and 70.6 days for the year ended 31 March 2015 respectively. The overall trade receivables turnover days was then increased to approximately 96.5 days as at 31 March 2016, primarily because we had extended credit terms to certain major customers of our Group under our machinery rental services during the respective year at the discretion of our Directors after considering a number of factors including: (i) the financial position of our Group; (ii) the term of relationship with the customer; (iii) the credit history and settlement record of the customer; and (iv) the amount of the contract/invoiced sum and the outstanding amount. For the customers with extended credit terms, the trade receivables amounted to approximately HK\$43.7 million and approximately 75.7% of such trade receivable as at 31 May 2016 was subsequently settled up to 30 September 2016. Our trade receivables turnover days for machinery rental services business hence increased from

FINANCIAL INFORMATION

approximately 70.6 days for the year ended 31 March 2015 to 123.7 days for the year ended 31 March 2016. Our trade receivable turnover days for construction works decreased from approximately 65.2 days for the year ended 31 March 2015 to approximately 57.7 days for the year ended 31 March 2016, which was within the credit period we provided. For the two months ended 31 May 2016, our overall trade receivables turnover days maintained the upward trend to approximately 107.9 days as a result of the increase in revenue from the construction machinery rental business under which certain customers were granted extended credit terms. Our trade receivables turnover days for construction machinery rental business was hence increased to approximately 156.9 days for the two months ended 31 May 2016. Our trade receivables turnover days for construction works further decreased slightly to approximately 50.9 days. Despite the general decreasing trend of trade receivable turnover days for our construction works during the Track Record Period, there was increasing amount due from costumers for contract work for the year ended 31 March 2016 and the two months ended 31 May 2016, which was partly due to the prolonged time of issuing the payment certificate by our customers.

According to our Group's accounting policies, we recognised revenue from our construction works based on the proportion of contract costs incurred for work performed to date relative to the contract value. While there is a delay in the issuance of payment certificate by our customers, the amount of revenue not yet certified would be recognised as amount due from customers for contract works, resulting in a relatively lower amount of revenue to be recognised as trade receivable. Such amount due from customers for contract works would only be further recognised as trade receivable upon the receipts of payment certificate from our customers. While our trade receivable for construction projects remained stable at approximately HK\$27.5 million, HK\$27.1 million, HK\$26.3 million and HK\$26.7 million as at 31 March 2014, 2015 and 2016 and 31 May 2016, the overall decreasing trend in our trade receivable turnover days for construction works was mainly in line with the increasing trend of our amount due from customers for contract works during the Track Record Period.

As at 30 September 2016, approximately 65.9% of our trade receivables for our overall business as at 31 May 2016 has been subsequently settled.

As at 30 September 2016, approximately 60.1% and 75.8% of our trade receivables for our construction works and construction machinery rental business respectively as at 31 May 2016 had been subsequently settled.

As at 30 September 2016, approximately 85.7% and 72.5% of our trade receivables which have aged between 91 to 180 days and over 181 days, respectively as at 31 May 2016 has been subsequently settled.

FINANCIAL INFORMATION

The following table illustrates the aging analysis of retention receivables as at each reporting date:

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Retention receivables:				
Due within one year	3,580	2,923	13,457	13,846
Due after one year	12,366	16,315	9,995	10,109
	15,946	19,238	23,452	23,955

Except for the retention receivables of approximately HK\$12.4 million, HK\$16.3 million, HK\$10.0 million and HK\$10.1 million as at 31 March 2014, 2015, 2016 and 31 May 2016 respectively, which were expected to be recovered or settled after one year, all of the remaining balances of our retention receivable are expected to be recovered within one year. All retention receivables are included in current assets as our Group expects to realise these within its normal operating cycle.

During the Track Record Period, no provision has been made to the retention receivables as there was no material defects reported by our customers. As at the Latest Practicable Date, we expected that around 56.9% of the retention monies held by our customers as at 31 May 2016 will be released to us by 31 March 2017. The expected release dates of the retention monies as at 31 May 2016 should fall with the latest in 31 May 2019.

Amounts due from/to customers for contract works

Our turnover from construction contracts is recognised based on the stage of completion of the contracts. In accordance to Hong Kong Accounting Standard (“HKAS”) 11, the stage of completion is established by referencing to the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. On the other hand, in general, our Group applies for progress billing to reflect the work performed on monthly basis and the customers will then issue a payment certificate certifying the portion of works completed after inspection. All of our revenue recognised from our contract works during the Track Record Period, other than an outstanding amount of approximately HK\$694,000, had been subsequently certified/agreed by our customers. However, as it takes time to certify and there might be different basis in view of the percentage of completion for the payment certificates to be issued by our customers and the payment application of our Group, the percentage of stage of completion indicated per our contract costs incurred according to the accounting policies stated above might be different from our progress billing to our customers for the same period. According to our accounting policies, where the total of the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress

FINANCIAL INFORMATION

billings exceed the total of the contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. The following table sets forth the amounts due from/to customers for contract works as at each reporting date:

	As at 31 March			As at 31 May
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognised profits less recognised losses	308,861	305,290	456,602	488,393
Less: progress billings	<u>(310,961)</u>	<u>(312,746)</u>	<u>(452,399)</u>	<u>(470,041)</u>
	<u>(2,100)</u>	<u>(7,456)</u>	<u>4,203</u>	<u>18,352</u>
Analysed for reporting purpose as:				
Amounts due from customers for contract work	–	740	7,059	21,603
Amounts due to customers for contract work	<u>(2,100)</u>	<u>(8,196)</u>	<u>(2,856)</u>	<u>(3,251)</u>
	<u>(2,100)</u>	<u>(7,456)</u>	<u>4,203</u>	<u>18,352</u>

Our amounts due from/to customers for contract works are usually affected by (i) the volume and value of work performed by our Group at the time close to the end of each reporting period by referencing to the construction costs incurred for and the budgeted costs of the projects; and (ii) the timing of issuing the progress certificate by our customers for the project progress recorded by us, which can significantly vary from period to period. For the amount due from customers for contract work as at 31 May 2016, the amount of works for our construction projects subsequently certified up to 30 September 2016 was approximately HK\$20.8 million.

FINANCIAL INFORMATION

Deposits, prepayment and other receivables

The following table sets out the breakdown of deposits, prepayment and other receivables as at each reporting date:

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	19	39	99	133
Prepayments	–	21	2,680	3,069
Staff advance	47	334	484	420
Insurance prepayments	–	4,769	4,746	4,757
Other receivables	762	6	5	5
	<u>828</u>	<u>5,169</u>	<u>8,014</u>	<u>8,384</u>

During the Track Record Period, deposits, prepayment and other receivables mainly represented deposits and prepaid expenses and advances to subcontractors. Deposits and prepaid expenses mainly represented rental, utilities, environmental deposits, prepaid Listing expenses, prepaid insurance and prepayment for the acquisition of machinery.

The increase of our deposits, prepayment and other receivables as at 31 March 2015 was mainly due to the increase in insurance prepayments for director. The increase as at 31 March 2016 was mainly due to the increase in prepaid Listing expense and prepayment for the acquisition of machinery. The further increase as at 31 May 2016 was mainly due to the increase in prepayment for the acquisition of machinery.

FINANCIAL INFORMATION

Amounts due from/to a controlling shareholder and related company

Set out below are the balances due from/to our controlling shareholder and related company for the Track Record Period:

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Amount due from				
Chung Luen Machinery				
Engineering Limited (<i>note</i>)	–	361	1,039	–
Amount due from Mr. Wu	–	–	18,654	–
	<u>–</u>	<u>–</u>	<u>18,654</u>	<u>–</u>
	<u>–</u>	<u>361</u>	<u>19,693</u>	<u>–</u>
Amount due to Luen Yau				
Company	–	–	12,740	13,209
Amount due to Mr. Wu	37,696	31,299	–	1,796
	<u>37,696</u>	<u>31,299</u>	<u>–</u>	<u>1,796</u>
	<u>37,696</u>	<u>31,299</u>	<u>12,740</u>	<u>15,005</u>

Note: No longer a related party since 19 April 2016

These amounts are unsecured, interest-free and repayable on demand. The amount due from Chung Luen Machinery Engineering Limited as at 31 March 2015 and 2016 was trade in nature. The amount due to Luen Yau Company as at 31 March 2016 represented the remaining consideration of the business transfer to our Group on 1 April 2015 but not yet settled. The amount due to Mr. Wu as at 31 May 2016 represented dividend declared but not yet fully settled. As at the Latest Practicable Date, all of the amounts due from/to a controlling shareholder and related company as at 31 May 2016 had been settled.

FINANCIAL INFORMATION

Trade and other payables

During the Track Record Period, our Group's trade and other payables represented trade payables, retention payables and accrued expenses.

The following table sets out the breakdown of trade and other payables at each reporting date:

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	10,218	13,857	37,516	45,944
Other payables	2,512	3,396	4,000	9,381
Accruals	10,594	14,685	15,187	17,960
	23,324	31,938	56,703	73,285
	23,324	31,938	56,703	73,285

(i) Trade payables

During the Track Record Period, our trade payables principally comprised payables to the suppliers of materials, lessors of machinery for our sub-leased machinery, repair and maintenance service providers and the subcontractors of our Group.

Our trade payables was approximately HK\$10.2 million, HK\$13.9 million, and HK\$37.5 million and HK\$45.9 million as at 31 March 2014, 2015, 2016 and 31 May 2016. Due to the nature of our construction works where we generally paid our suppliers upon collecting payments from our customers, such trend of the increment was generally in line with the increasing trend of our revenue and the aggregate amount of trade receivable and amount due from our customers for contract works. In addition, increase in amount due from our customers for contract works was due to the delay in the issuance of payment certificates from our customers. Our Directors consider that such delay was due to various reasons such as (i) political filibustering which affected the approval in funding for our builder's work and general building works project in West Kowloon; (ii) relatively longer time taken for the review and certification for the final accounts amount as our construction projects in Hong Kong International Airport were approximate to the completion stage; and (iii) commencement of new projects such as our builder's work and general building works project in Tuen Mun, which took a longer time to issue the first payment certificate. This results in the delay in collecting payment from our customers and accordingly affect our timing in payment to our suppliers. As at the Latest Practicable Date, to the best knowledge of our Directors, our Group was not liable for any liquidated damages or other liabilities for the delayed payments to suppliers. In general, late payments to suppliers may attract civil liability against our Group. To the best knowledge of our Directors, our Group does not have any liquidated damages clauses with our suppliers regarding any late payments to our suppliers. Despite we generally pay our suppliers upon collecting payments from our customers, our Directors are of the view

FINANCIAL INFORMATION

that the “pay when paid” practice should not indicate any liquidity pressure of our Group, in view of the following: (i) the “pay when paid” practice is actually a liquidity management policy which strengthens the liquidity position of our Group and is a common practice in the construction industry according to the Ipsos Report; (ii) our Group started utilising bank borrowings during the year ended 31 March 2015 to provide additional funding for expansion of our business. As at 31 March 2016 and the Latest Practicable Date, we had unutilised banking facilities of HK\$4.6 million and HK\$35.7 million respectively; and (iii) our improved financial position from being a net current liabilities position as at 31 March 2014 to a generally improving net current assets position as at 31 March 2015, 2016 and 31 May 2016 (the drop in our net current assets as at 31 May 2016 was mainly due to the declaration of dividend of HK\$29.0 million). Considering our Group has recognized increasing net profits over the Track Record Period, our finance needs were mainly incurred as a result of the purchase of additional construction machinery so as to undertake the larger scale construction projects. As a result, our Directors are of the view that our Group has sufficient working capital for our future operation needs.

Our increase in trade payables represented the increase in subcontracting charges, sub-lease expenses and the purchase of construction materials from undertaking large scale projects. The increase was also due to the upward movement in repair and maintenance costs and the consumption of fuel and diesel as a result of the expansion of our machinery fleet and our construction machinery rental business.

The following table illustrates the aging analysis of the trade payables based on invoice date as at each reporting date:

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	5,832	7,039	16,049	13,200
31 to 60 days	2,822	4,154	4,389	12,032
61 to 90 days	104	308	5,384	9,263
91 to 365 days	23	651	10,202	9,933
Over 365 days	1,437	1,705	1,492	1,516
	<u>10,218</u>	<u>13,857</u>	<u>37,516</u>	<u>45,944</u>

The credit periods offered by our suppliers ranged from 0 to 60 days. The majority of trade payables as at 31 March 2014, 2015, 2016 and 31 May 2016 were aged less than 90 days. The trade payables aged more than 90 days amounted to approximately HK\$1.5 million, HK\$2.4 million, HK\$11.7 million and HK\$11.4 million respectively as at 31 March 2014, 2015, 2016 and 31 May 2016. Such trend in trade payables of aged 90 days during the Track Record Period was in line with the trend in our trade receivables and amounts due from customers for contract work due to the delay in payment from our customers. As a result, our Group has delayed the payment to our suppliers.

FINANCIAL INFORMATION

The following table sets out the turnover days of trade payables (calculated as the average of beginning and ending trade payables balances for the period, divided by actual cost of services, excluding staff costs and depreciation on operating machinery, for the period, multiplied by the number of days in the period) for the financial period indicated:

	For the year ended 31 March			For the two months ended 31 May
	2014	2015	2016	2016
Trade payables turnover days	53.9 days	27.9 days	56.5 days	80.0 days

With our practice of the aforesaid “pay when paid”, the fluctuations of our trade payables turnover days are generally in line with our trade receivables turnover days. Our trade payables turnover days decreased from approximately 53.9 days for the year ended 31 March 2014 to approximately 27.9 days for the year ended 31 March 2015, which was mainly attributable to the timely payment from our customers to us, which allowed us to timely pay to our suppliers. Our trade payables turnover days then increased to approximately 56.5 days as at 31 March 2016, then further increased to approximately 80.0 days as at 31 May 2016. The increase in the turnover days was mainly attributable to the delayed payment from our customers, hence affecting on the timeline of our payment to our suppliers as mentioned above.

Approximately 68.8% of the trade payables as at 31 May 2016 were subsequently settled up to 30 September 2016.

(ii) Other payables and accruals

During the Track Record Period, other payables and accruals mainly represented amount payable for the acquisition of construction machinery, accrued staff costs, accrued Listing expense and retention payable which represented the retention money withheld for construction work by us when making interim payments to some of our subcontractors.

Our other payables and accruals was approximately HK\$13.1 million, HK\$18.1 million, and HK\$19.2 million, and HK\$27.3 million as at 31 March 2014, 2015 and 2016, 31 May 2016. The increase in other payables and accrual as at 31 March 2015 was mainly attributable to the increase in accrued staff costs due to the expansion of our manpower during the year ended 31 March 2015. Other payables and accruals remained stable as at 31 March 2016. The increase as at 31 May 2016 was mainly due to the increase in accrued Listing expenses and amount payable for the acquisition of construction machinery.

FINANCIAL INFORMATION

Bank borrowings

The following tables set out the breakdown of our bank borrowings as at 31 March 2014, 2015, 2016 and 31 May 2016:

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank loans	–	3,394	16,433	14,622
Bank overdraft	–	165	–	–
	<u>–</u>	<u>3,559</u>	<u>16,433</u>	<u>14,622</u>
Secured	–	3,394	16,433	14,622
Unsecured	–	165	–	–
	<u>–</u>	<u>3,559</u>	<u>16,433</u>	<u>14,622</u>

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	–	571	8,136	6,702
After one year but within two years	–	590	2,311	2,330
After two year but within five years	–	1,898	5,833	5,467
Over five years	–	335	153	123
	<u>–</u>	<u>3,394</u>	<u>16,433</u>	<u>14,622</u>

FINANCIAL INFORMATION

	As at 31 March			As at
	2014	2015	2016	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
				<i>HK\$'000</i>
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	–	3,394	16,433	14,622
Bank overdrafts	–	165	–	–
	<u>–</u>	<u>3,559</u>	<u>16,433</u>	<u>14,622</u>

During the Track Record Period, our bank borrowings mainly represented secured bank borrowings amounted to approximately nil, HK\$3.4 million, HK\$16.4 million and HK\$14.6 million as at 31 March 2014, 2015, 2016 and 31 May 2016 respectively. All bank borrowings are classified as current liabilities as they were either (i) repayable within one year or (ii) not repayable within one year but with a repayment on demand clause. Our Group started bank borrowing during the year ended 31 March 2015 for additional funding for expansion in our business. Our borrowings consist of both secured and unsecured facilities. Our secured bank loans as at 31 March 2015, 31 March 2016 and 31 May 2016 carried interest at floating rates ranging from 2.5% to 4.0% per annum, 2.5% to 6.0% per annum and 2.5% to 6.0% per annum respectively.

As at 31 March 2014, 2015, 2016 and 31 May 2016, we had banking facility amounted to nil, HK\$3.4 million, HK\$21.0 million and HK\$21.0 million respectively.

FINANCIAL INFORMATION

At the end of the reporting period, our Group had pledged the following assets to banks and finance lease companies to secure the banking facilities granted to our Group:

	Year ended 31 March			Two months ended 31 May
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Machinery and equipment	50,811	99,661	88,737	94,406
Insurance prepayment	–	4,769	4,746	4,757
	50,811	104,430	93,483	99,163
	50,811	104,430	93,483	99,163

As at 31 March 2015, 31 March 2016 and 31 May 2016, our banking facilities were secured by assets pledged as set out above. As at 31 March 2015, 31 March 2016 and 31 May 2016, all banking facilities were secured by personal guarantees provided by Mr. Wu. As at 31 March 2016 and 31 May 2016, one of the banking facilities were secured by a personal guarantee limited to HK\$22,000,000 provided by Ms Kwok Wai Sheung Melody (“Ms Kwok”), the spouse of Mr. Wu. Such guarantee was supported by a mortgage charged over the property which is owned by Ms. Kwok.

The said guarantees given by Mr. Wu and Ms. Kwok are to be released and replaced by guarantees of our Group upon Listing.

Obligations under finance leases

During the Track Record Period, we had acquired certain machinery by way of finance leases arrangement mainly through banks and financial institutions.

FINANCIAL INFORMATION

It is our Group's policy to lease certain of our construction machinery under finance lease. The average lease term is 4 years. The obligation under finance leases carried interest at floating rates from 5.64% to 10.68% per annum. Our Group's obligations under finance leases were secured by certain machinery and equipment and unlimited personal guarantees given by Mr. Wu. The said guarantees given by Mr. Wu are to be released and replaced by guarantees of the Company upon Listing.

	Minimum lease payments				Present value of minimum lease payments			
	at 31 March		at 31 May		at 31 March		at 31 May	
	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>
Amounts payable under finance leases								
Within one year	16,120	42,508	46,396	48,743	13,099	36,097	41,872	43,711
More than one year but less than two years	14,782	38,520	29,567	31,660	12,796	34,972	27,572	29,145
More than two years but less than five years	<u>22,571</u>	<u>34,437</u>	<u>22,122</u>	<u>31,052</u>	<u>20,992</u>	<u>32,748</u>	<u>21,244</u>	<u>29,394</u>
	53,473	115,465	98,085	111,455	46,887	103,817	90,688	102,250
Less: future finance charges	<u>(6,586)</u>	<u>(11,648)</u>	<u>(7,397)</u>	<u>(9,205)</u>				
Present value of obligations under finance lease	<u>46,887</u>	<u>103,817</u>	<u>90,688</u>	<u>102,250</u>				
Less: amounts due for settlement within one year (shown under current liabilities)					<u>(13,258)</u>	<u>(36,097)</u>	<u>(41,872)</u>	<u>(43,711)</u>
Amounts due for settlement after one year					<u>33,629</u>	<u>67,720</u>	<u>48,816</u>	<u>58,539</u>

FINANCIAL INFORMATION

SELECTED KEY FINANCIAL RATIOS

	For the year ended 31 March			For the two months ended 31 May
	2014	2015	2016	2016
Current ratio ¹	0.8 times	1.1 times	1.4 times	1.1 times
Gearing ratio ²	78.5%	112.3%	80.9%	109.7%
Debt to equity ratio ³	74.6%	103.6%	69.6%	95.6%
Interest coverage ⁴	22.2 times	9.0 times	6.9 times	4.6 times
Return on total assets ⁵	16.1%	12.3%	10.9%	0.9%
Return on equity ⁶	48.9%	37.5%	27.8%	3.0%
Net profit margin ⁷	18.3%	9.8%	9.0%	4.6%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.
2. Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year/period end and multiplied by 100%.
3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year/period end and multiplied by 100%.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year/period.
5. Return on total assets is calculated by the total comprehensive income for the year/period divided by the total assets as at the respective year end and multiplied by 100%.
6. Return on equity is calculated by the total comprehensive income for the year/period divided by the total equity as at the respective year end and multiplied by 100%.
7. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective year/period and multiplied by 100%.

Please refer to the section headed “Financial Information – Period-to-period Comparison of Results of Operations” under this section for a discussion on factors affecting revenue growth, net profit growth, gross profit margin and net profit margin during the respective periods.

Current ratio

Our current ratio increased from approximately 0.8 times as at 31 March 2014 to approximately 1.1 times as at 31 March 2015. Such increase was primarily attributable to the improvement in our net current assets mainly due to the net profit for the year of approximately HK\$29.2 million. Our current ratio improved to approximately 1.4 times as at 31 March 2016. Such improvement was mainly due to the net profit of approximately HK\$35.9 million recognised for the year ended 31 March 2016, which strengthened our liquidity.

FINANCIAL INFORMATION

As at 31 May 2016, our current ratio dropped to approximately 1.1 times due to the declaration of dividend of approximately HK\$29.0 million for the two months ended 31 May 2015. Our Group has been striving to maintain adequate liquidity and working capital position to cope with our operation needs for our projects, and we believe that the current ratio of our Group has been maintained at a healthy level during the Track Record Period.

Gearing ratio

Our gearing ratio as at 31 March 2014, 2015, 2016 and 31 May 2016 was 78.5%, 112.3%, 80.9% and 109.7% respectively. The increase in the gearing ratio as at 31 March 2015 was mainly attributable to the significant increase in finance leases for our purchase of construction machinery and the inception of bank borrowings to finance our operations. As at 31 March 2016, the decrease in gearing ratio was due to the increase in total equity resulted from our profitable operation while the aggregate amount of bank borrowings and finance leases remained at similar level. As at 31 May 2016, the increase in gearing ratio was mainly due to the increase in our finance leases.

Debt to equity ratio

Our debt to equity ratio as at 31 March 2014, 2015, 2016 and 31 May 2016 was approximately 74.6%, 103.6%, 69.6% and 95.6% respectively. The trend was in line with the gearing ratio and the reasons were explained above.

Interest coverage

Our interest coverage ratio for the year ended 31 March 2014, 2015, 2016 and the two months ended 31 May 2016 was approximately 22.2 times, 9.0 times, 6.9 times and 4.6 times respectively. The downward trend was resulted from the increase of finance cost we incurred in relation to our bank borrowings and finance leases, amounting to HK\$1.6 million, HK\$5.4 million, HK\$7.6 million and HK\$1.2 million during the Track Record Period outweighed the increase in our profit before interest and taxation.

Return on total assets

Our return on total assets was approximately 16.1%, 12.3%, 10.9% and 0.9% for the year ended 31 March 2014, 2015, 2016 and the two months ended 31 May 2016 respectively. While the net profit increased by 22.6% for the year ended 31 March 2015, the total assets recorded an increase of approximately 60.9% mainly due to the increase of our non-current assets (being construction machinery we purchased for the year) by approximately HK\$50.7 million or 43.8%, leading to the decrease in our return on total assets. Despite the net profit for the year ended 31 March 2016 increased slightly by approximately 2.5%, the return on total assets further decreased to approximately 10.9% for the year ended 31 March 2016 as a result of the increase in trade and other receivables which was primarily due to the increase in revenue recorded for the year. The substantial decrease in return on equity for the two months ended 31 May 2016 was mainly due to the decrease in gross profit margin and the recognition of Listing expenses leading to the decrease in net profit margin during the period. Besides, only the results of operation for two months were taken into account and therefore the return on equity for the two months ended 31 May 2016 was significantly lower than the same ratio for the year ended 31 March 2016.

FINANCIAL INFORMATION

Return on equity

Our return on total equity was approximately 48.9%, 37.5%, 27.8% and 3.0% for the year ended 31 March 2014, 2015, 2016 and the two months ended 31 May 2016 respectively. The return on total equity decreased for the year ended 31 March 2015 was due to the percentage increase in net profit (approximately 22.6%) being smaller than the percentage increase in total equity (approximately 60.0%). For the year ended 31 March 2016, the return on total equity continued the downward trend since the total equity recorded a higher percentage of increase (approximately 38.4%) than the percentage of increase in the net profit (approximately 2.5%) compared with the year ended 31 March 2015. The substantial decrease in return on total equity for the two months ended 31 May 2016 was mainly due to decrease in net profit margin during the period. Besides, only the results of operation for two months were taken into account and therefore the return on equity for the two months ended 31 May 2016 was significantly lower than the same ratio for the year ended 31 March 2016.

LISTING EXPENSES

Based on the Offer Price of HK\$0.5 (being the mid point of the Offer Price range stated in this prospectus), estimated Listing expenses in connection with the Share Offer are approximately HK\$20.9 million, of which HK\$4.8 million has been charged to our consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 and HK\$1.9 million has been charged for the two months ended 31 May 2016, and approximately HK\$8.7 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income for the remaining months of the year ending 31 March 2017 and approximately HK\$5.5 million is expected to be directly attributable to the issue of Shares and accounted for as a deduction from equity upon the successful Listing under the relevant accounting standards.

INDEBTEDNESS

At the close of business on 30 September 2016, being the latest practicable date on which such information was available to us, our Group had outstanding secured bank borrowings, finance lease payables and unutilised banking facilities of approximately HK\$16.5 million, HK\$101.8 million and HK\$3.4 million respectively, which were secured by (i) our Group's machinery and equipment of approximately HK\$98.8 million; (ii) our Group's insurance prepayment of approximately HK\$4.9 million; (iii) unlimited personal guarantees executed by Mr. Wu; and (iv) guarantee executed by Mrs. Wu of approximately HK\$22.0 million. The interest rates of our secured bank borrowings and finance lease payables ranged from 2.5% to 6.0% per annum, and from 5.64% to 10.68% per annum respectively as at 30 September 2016.

The aforementioned personal guarantees provided by Mr. Wu and Mrs. Wu will be released and replaced by corporate guarantees provided by our Company upon Listing. Subsequent to 30 September 2016, our Group has obtained a new banking facility from a commercial bank at approximately HK\$31,143,000 for mainly financing working capital purpose.

FINANCIAL INFORMATION

Save as disclosed above, our Group did not have, at the close of business on 31 May 2016, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirmed that (i) there has not been any material change in our indebtedness and contingent liabilities since 31 May 2016 and up to the Latest Practicable Date; (ii) the bank loans and banking facilities are subject to the standard banking conditions and covenants; (iii) our Group has complied with all of the covenants under our bank borrowings during the Track Record Period; (iv) our Group has not received any notice from the bank indicating that it might withdraw or downsize the bank loans and banking facility; and (v) our Group does not have any material external debt financing plans as at the Latest Practicable Date.

WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including bank borrowings and other internal resources, and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

CAPITAL EXPENDITURE AND COMMITMENTS

Our capital expenditure primarily comprises purchase of plant and machinery, motor vehicles and office equipment. Our capital expenditure was principally funded by our internal resources and finance leases during the Track Record Period. The following table sets forth our Group's capital expenditure during the Track Record Period:

	As at 31 March			As at
	2014	2015	2016	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Motor vehicles	20,110	18,500	21,550	3,946
Machineries	97,629	88,495	12,758	11,625
Leasehold improvement	–	–	116	–
Furniture and equipment	9	33	50	50
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>117,748</u>	<u>107,028</u>	<u>34,474</u>	<u>15,621</u>

As at 31 March 2014, 2015 and 2016 and 31 May 2016, our Group did not have any capital commitment.

FINANCIAL INFORMATION

CONTRACTUAL COMMITMENTS

Our Group as lessee

At the end of each of the reporting period, our Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of its leased properties which fall due as follows:

	As at 31 March			As at
	2014	2015	2016	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Within one year	84	7	388	354
In the second to fifth years inclusive	7	–	31	–
Total	<u>91</u>	<u>7</u>	<u>419</u>	<u>354</u>

The leases are generally negotiated for a lease term of three years at fixed rentals.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual commitments set forth above, our Group has not entered into any off-balance sheet transactions or arrangements as at Latest Practicable Date.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity. Please refer to Note 6 of the Accountants' Report set out in Appendix I to this prospectus.

DIVIDEND

For the three years ended 31 March 2016 and the two months ended 31 May 2016, subsidiaries of our Group declared dividends of nil, nil, nil and HK\$29.0 million respectively. The dividend was paid to our Controlling shareholder in June 2016 by cash and by setting off against the outstanding balances of the amount due from the Controlling Shareholder. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment.

FINANCIAL INFORMATION

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 21 April 2016. As at 31 March 2016, our Company had no distributable reserves available for distribution to our Shareholders.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any properties, the details of which are set out in the section headed "Business – Our Properties" in this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for further details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that as at the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in the Note 29 of the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these related party transactions were conducted on normal commercial terms and they would not distort our track record results or make our historical results not reflective of our future performance.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Save for the professional fees of approximately HK\$20.9 million estimated to be incurred in connection with the Listing, of which approximately HK\$10.6 million will be recorded in our consolidated statements of profit or loss for the year ending 31 March 2017, our Directors confirmed that there has been no material adverse change in the operation, financial or trading position or prospects of our Group since 31 May 2016 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this prospectus, and there is no event since 31 May 2016 and up to the date of this prospectus which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed “Business – Business Strategies” in this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer, after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Share Offer and assuming that the Over-allotment Option is not exercised at all, to be approximately HK\$66.6 million, assuming an Offer Price of HK\$0.5 per Share, being the mid-point of the proposed Offer Price range of HK\$0.4 to HK\$0.6 per Offer Share. We intend to apply the net proceeds from the Share Offer as follows:

- approximately HK\$52.3 million or approximately 78.6% of the net proceeds for the replacement and enhancement of our fleet of machinery by acquiring excavators, bulldozers, compactors, dump trucks, loaders, mobile cranes and special purpose vehicles in the next two years to enhance our service capacity to cope with the expected growing demand in the construction industry and to cope with the Technical Circular. The planned allocation of this portion of the net proceeds among construction machinery is as follows:

Type of construction machinery	For the six months ending						Total		Approximate % of net proceeds
	31 March 2017		30 September 2017		31 March 2018		HK\$		
	Unit	million	Unit	million	Unit	million	Unit	million	
Excavators	10	5.1	25	15.3	20	15.7	55	36.1	54.2%
Bulldozers	3	2.5	–	–	–	–	3	2.5	3.8%
Compactors	–	–	3	1.8	–	–	3	1.8	2.7%
Dump trucks	–	–	5	6.8	–	–	5	6.8	10.2%
Loaders	4	2.6	2	0.8	–	–	6	3.4	5.1%
Mobile cranes	–	–	–	–	3	1.4	3	1.4	2.1%
Special purpose vehicles	–	–	–	–	2	0.3	2	0.3	0.5%
Total ^(Note) :	17	10.2	35	24.6	25	17.4	77	52.3	78.6%

Note: The figures and percentages above may not add up to the total due to rounding.

Further to the table above, it is expected that approximately HK\$9.2 million from our internal resources will be applied to acquire additional 10 units of excavators for the six months ending 31 March 2018. The remaining HK\$86.5 million from our internal resources will be applied in stages to acquire additional around 50 units of excavators before the end of financial year ending 31 March 2019. Nevertheless, as at the Latest Practicable Date, we have not entered into any contracts giving rise to any capital commitment.

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$7.9 million or approximately 11.9% of the net proceeds for the reinforcement of our workforce by recruiting additional full-time staff which include ten machine operators, one human resources manager, one accounting manager, one safety officer and one site engineer, in the next two years; and
- approximately HK\$6.4 million or approximately 9.5% of the net proceed for general working capital of our Group.

If the Offer Price is set at either the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer will increase or decrease by approximately HK\$17.1 million, the allocation of which will be used in the same proportions as set out above.

To the extent that the net proceeds of the Share Offer which are not immediately applied for the above purposes, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

Assuming the Offer Price is fixed at HK\$0.5 per Share (being the mid-point of the indicative range of the Offer Price), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$36.6 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. We will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as set out above.

UNDERWRITING

UNDERWRITERS

Placing Underwriters

Ample Orient Capital Limited
Sorrento Securities Limited

Public Offer Underwriters

Ample Orient Capital Limited
Sorrento Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 25,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting Listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) may in their absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company (for ourselves and on behalf of the Selling Shareholder) at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or

UNDERWRITING

- (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “Relevant Jurisdictions”); or
- (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
- (d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
- (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis,

UNDERWRITING

economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or

- (k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (p) non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (r) any loss or damage sustained by any member of our Group; or
- (s) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (u) the chairman or president of our Company vacating his office; or

UNDERWRITING

- (v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organization that it intends to take any such action; or
- (w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which in the sole and absolute opinion of the Joint Lead Managers:

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
 - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Joint Lead Managers (in their sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
 - (b) any statement contained in this prospectus or the Application Forms was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sponsor (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the Public Offer (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (c) there has been a material breach on the part of any of our Company, Controlling Shareholders and executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Joint Lead Managers (in their sole and absolute discretion).

Lock-up undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken to the Sponsor, the Joint Lead Managers and the Public Offer Underwriters that our Company shall, and each of our Controlling Shareholders has undertaken to the Sponsor, the Joint Lead Managers and the Public Offer Underwriters to procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe

UNDERWRITING

for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules);
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sponsor, the Joint Lead Managers, the Public Offer Underwriters and our Company that (except as pursuant to the Capitalisation Issue, the Share Offer (including pursuant to the exercise of the Over-allotment Option), the Shares to be issued pursuant to the Stock Borrowing Agreement):

- (a) he or it shall not, without the prior written consent of the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his or its close associates or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or

UNDERWRITING

otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under notes (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sponsor, the Joint Lead Managers, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he or it shall:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sponsor and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sponsor and the Joint Lead Managers in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

UNDERWRITING

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer and the Over-allotment Option and the lending of any Shares pursuant to the Stock Borrowing Agreement or unless in compliance with the requirements of the Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its or his shareholding in our Company is made in the prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that it or he will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when it or he or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that 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 or arrangement 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), except pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

UNDERWRITING

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with the Sponsor, the Joint Lead Managers, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 225,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the section headed “Lock-up undertakings to the Public Offer Underwriters” above in this section.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Joint Lead Managers, for themselves and on behalf of the Placing Underwriters, from the Listing Date until 30 days after the last day for lodging applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the initial Offer Shares, at the Offer Price under the Placing, to cover over-allocations in the Placing and/or the obligation of the Stabilising Managers to return Securities borrowed under the Stock Borrowing Agreement.

Commission and expenses

The Public Offer Underwriters will receive underwriting commissions of 2.5% of the aggregate Offer Price payable for the Public Offer Shares in accordance with the terms of the Public Offer Underwriting Agreement, out of which the Underwriters may pay any sub-underwriting commission in connection with the Share Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares.

UNDERWRITING

Based on the Offer Price of HK\$0.5 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commissions and fees payable to the Underwriters, together with Stock Exchange Listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$20.9 million in total (assuming the Over-allotment Option is not exercised) and are payable by our Company, save for such underwriting commissions, fees and expenses relating to the sale of the Sale Shares by the Selling Shareholder which will be borne by the Selling Shareholder.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a documentation fee. The Joint Lead Managers and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the section headed "Commission and expenses" above.

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or before 8:00 p.m. on Friday, 2 December 2016.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.6 per Offer Share and is expected to be not less than HK\$0.4 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time 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 lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.ppggh.com.hk notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company (for ourselves and on behalf of the Selling Shareholder), will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.ppggh.com.hk of a reduction in the number of the Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Lead Managers (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.

If, for any reason, the Offer Price is not agreed between us (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Saturday, 3 December 2016 the Share Offer will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on Wednesday, 7 December 2016.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.6 per Offer Share and is expected to be not less than HK\$0.4 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.6 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,030.23 per board lot of 5,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.6 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the Listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such Listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed “How to Apply for Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 250,000,000 Offer Shares (subject to Over-allotment Option) will be made available under the Share Offer, of which 225,000,000 Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 25,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 225,000,000 Placing Shares comprising 150,000,000 New Shares and 75,000,000 Sale Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the section headed “Conditions of the Share Offer” of this section.

The Public Offer

Our Company is initially offering 25,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong as well as institutional and professional investors under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.6 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: 12,500,000 Shares in pool A and 12,500,000 Shares in pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) and up to the value of pool B.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

Multiple applications or suspected multiple application and any application made for more than 50% of Shares initially comprised in the Public Offer (i.e. 12,500,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 75,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 125,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Joint Lead Managers at any time from the Listing Date until 30 days after the last day for lodging applications under the Public Offer to cover over-allocations in the Placing and/or the obligation of the Stabilising Managers to return securities borrowed under the Stock Borrowing Agreement. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 37,500,000 additional new Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price.

If the Over-allotment Option is exercised in full, the additional 37,500,000 Shares will represent approximately 3.61% of our Company's enlarged share capital immediately after completion of the Share Offer and the exercise in full of the Over-allotment Option.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, Ample Orient Capital Limited and Sorrento Securities Limited, as stabilising managers or their authorised agents, may, but are not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO.

However, there is no obligation on the Stabilising Managers or their authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Managers or their authorised agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the number of Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Managers or their authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Managers or their authorised agents will maintain the long position is at the discretion of the Stabilising Managers or their authorised agents and is uncertain. In the event that the Stabilising Managers or their authorised agents liquidate this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising activity by the Stabilising Managers or their authorised agents is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day from the last day for lodging applications under the Share Offer. The stabilising period is expected to end on Saturday, 31 December 2016.

Any stabilising activity taken by the Stabilising Managers or their authorised agents may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Managers or their authorised agents may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by investors.

In order to facilitate the settlement of over-allocations, the Stabilising Managers or their authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STOCK BORROWING AGREEMENT

The Stabilising Managers, as stabilising managers or their authorised agents may borrow up to 37,500,000 Shares from Profit Gold, equivalent to the maximum number of additional Shares to offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service 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 Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Lead Managers may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate of any of the above;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 28 November 2016 to 12:00 noon on Thursday, 1 December 2016 from:

- (i) the office of the following party:

Ample Orient Capital Limited

Unit 902
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Sorrento Securities Limited

11/F.
The Wellington
198 Wellington Street
Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch, the receiving bank for the Public Offer:

District	Branch name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street Central
	Quarry Bay Sub-Branch	Shops 3 and 4 on G/F. 981A-981F King's Road Chung Hing Mansion Quarry Bay
Kowloon	Mongkok Sub-Branch	G/F. and 1/F. Shun Wah Building Nos.735 & 735A Nathan Road Mongkok
New Territories	Tiu Keng Leng Sub-Branch	Shops Nos. L2-064 and L2-065 Level 2 Metro Town Tiu Keng Leng
	Tai Po Sub-Branch	Shop No. 1, 2, 26 & 27, G/F. Wing Fai Plaza 29-35 Ting Kok Road Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 28 November 2016 until 12:00 noon on Thursday, 1 December 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. – Progressive Path 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:

- Monday, 28 November 2016 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 29 November 2016 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 30 November 2016 – 9:00 a.m. to 5:00 p.m.
- Thursday, 1 December 2016 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 1 December 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or Joint Bookrunners and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or 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 PUBLIC OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through **the HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 28 November 2016 until 11:30 a.m. on Thursday, 1 December 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 1 December 2016 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR PUBLIC 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 Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Monday, 28 November 2016 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Tuesday, 29 November 2016 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 30 November 2016 – 8:00 a.m. to 8:30 p.m.⁽¹⁾

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Thursday, 1 December 2016 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Participants can input electronic application instructions from 9:00 a.m. on Monday, 28 November 2016 until 12:00 noon on Thursday, 1 December 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 1 December 2016, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject

HOW TO APPLY FOR PUBLIC OFFER SHARES

to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 1 December 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- 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). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our Company;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 5,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer – Determining the Offer Price” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 1 December 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 1 December 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

HOW TO APPLY FOR PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 7 December 2016 (i) on our Company's website at www.ppggh.com.hk; and (ii) the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.ppggh.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 7 December 2016;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 7 December 2016 to 12:00 mid-night on Tuesday, 13 December 2016;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 7 December 2016 to Monday, 12 December 2016 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 7 December 2016 to Friday, 9 December 2016 at all the receiving bank's designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 12,500,000 Public Offer Shares (being 50% of 25,000,000 Public Offer Shares) initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.6 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 7 December 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 7 December 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 8 December 2016 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, 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 Wednesday, 7 December 2016 or such other date as notified by us on the website of our Company at www.ppggh.com.hk or on the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 7 December 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 7 December 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 7 December 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 7 December 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at 22/F., Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 December 2016, or such other date as notified by our Company on the website of our Company at www.ppgg.com.hk or on the website of the Stock Exchange at www.hkexnews.hk as the date of despatch/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 at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 7 December 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- 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 Wednesday, 7 December 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer

HOW TO APPLY FOR PUBLIC OFFER SHARES

in the manner specified in “Publication of Results” above on Wednesday, 7 December 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 7 December 2016 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, 7 December 2016. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 7 December 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

28 November 2016

The Board of Directors
Progressive Path Group Holdings Limited
Ample Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the “Financial Information”) regarding Progressive Path Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 March 2016 and two months ended 31 May 2016 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 28 November 2016 (the “Prospectus”) in connection with the initial Listing of shares of the Company (“Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 21 April 2016. Pursuant to a group reorganisation as detailed in the section headed “History, Development and Group Structure” of the Prospectus (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 13 May 2016. The Company is an investment holding company and has not carried out any business since the date of its incorporation save for the aforementioned Reorganisation.

As at 31 March 2014, 31 March 2015, 31 March 2016, 31 May 2016 and the date of this report, the Company has the following subsidiaries comprising the Group, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ operation	Issued and fully paid share capital at the date of this report	Percentage of equity interest attributable to the Group as at					Principal activities
			31 March 2014	31 March 2015	31 March 2016	31 May 2016	at the date of this report	
Neotime Global Limited ("Neotime Global")	British Virgin Islands ("BVI") 5 January 2016	Ordinary shares – United States dollar ("USD") 1	–	–	100%	100%	100%	Investment holding
Lufa Global Investments Limited ("Lufa Global")	BVI 1 February 2016	Ordinary shares – USD1	–	–	100%	100%	100%	Investment holding
Luen Yau Holdings Limited ("Luen Yau Holdings")	BVI 19 November 2015	Ordinary shares – USD100	–	–	100%	100%	100%	Investment holding
Luen Yau Construction Company Limited ("Luen Yau Construction")	Hong Kong 24 December 2007	Ordinary shares – Hong Kong dollar ("HK\$") 1	100%	100%	100%	100%	100%	Construction works and construction machinery rental service
Luen Yau Machinery Construction Company Limited ("Luen Yau Machinery")	Hong Kong 8 March 2013	Ordinary shares – HK\$1	100%	100%	100%	100%	100%	Construction machinery rental service
Luen Yau Management Services Limited ("Luen Yau Management (HK)")	Hong Kong 20 November 2015	Ordinary shares – HK\$1	–	–	100%	100%	100%	Investment holding
Luen Yau Management Company Limited ("Luen Yau Management (BVI)")	BVI 23 November 2015	Ordinary shares – USD1	–	–	100%	100%	100%	Investment holding

All companies now comprising the Group have adopted 31 March as the financial year end date.

The statutory financial statements of Luen Yau Construction for the years ended 31 March 2014, 2015 and 2016 and Luen Yau Machinery for the period from 8 March 2013 (date of incorporation) to 31 March 2014 and for the years ended 31 March 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The statutory financial statements of Luen Yau Management (HK) for the period from 20 November 2015 (date of incorporation) to 31 March 2016 was prepared in accordance with HKFRSs issued by the HKICPA.

The statutory auditors of the above subsidiaries during the Track Record Period are as follows:

Name of subsidiary	Periods Covered	Certified Public Accountants
Luen Yau Construction	Year ended 31 March 2014	V A Hui & Co Limited
	Year ended 31 March 2015	iEvolution CPA (Practicing) Company
	Year ended 31 March 2016	Global Vision CPA Limited
Luen Yau Machinery	Period from 8 March 2013 (date of incorporation) to 31 March 2014	V A Hui & Co Limited
	Year ended 31 March 2015	iEvolution CPA (Practicing) Company
	Year ended 31 March 2016	Global Vision CPA Limited
Luen Yau Management (HK)	Period from 20 November 2015 (date of incorporation) to 31 March 2016	Global Vision CPA Limited

No audited statutory financial statements have been prepared for the Company, Neotime Global, Lufa Global, Luen Yau Holdings and Luen Yau Management (BVI) since their respective dates of incorporation as there are no statutory audit requirements under the relevant rules and regulations in their respective jurisdiction of incorporation. However, for the purpose of this report, we have reviewed all significant transactions of these companies since their respective dates of incorporation to the date of this report and carried out such procedures as we considered necessary for inclusion of the Financial Information in relation to these companies in this report.

BASIS FOR PREPARATION

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in the Prospectus has been prepared by the directors of the Company based on the Underlying Financial Statements on the basis of preparation set out in note 1 of Section A below, with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and carried out such appropriate procedures which we consider necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 May 2016.

OPINION

In our opinion, for the purpose of this report, on the basis of preparation set out in note 1 of section A below, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 May 2016 and of the Group as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

CORRESPONDING FINANCIAL INFORMATION

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 two months ended 31 May 2015 together with the notes thereon (the “May 2015 Financial Information”) have been extracted from the Group’s unaudited consolidated financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the May 2015 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our responsibility is to express a conclusion on the May 2015 Financial Information based on our review.

Our review of the May 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures 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 May 2015 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the May 2015 Financial Information is not prepared, in all material aspects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Years ended 31 March			Two months ended 31 May	
		2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
					(unaudited)	
Revenue	7	159,693	366,729	409,349	59,550	69,207
Cost of services		<u>(122,884)</u>	<u>(314,539)</u>	<u>(342,995)</u>	<u>(48,843)</u>	<u>(61,175)</u>
Gross profit		36,809	52,190	66,354	10,707	8,032
Other income	8	2,751	2,974	3,101	217	1,213
Administrative expenses		(3,258)	(6,817)	(16,878)	(1,477)	(3,794)
Finance costs	9	<u>(1,632)</u>	<u>(5,384)</u>	<u>(7,571)</u>	<u>(1,305)</u>	<u>(1,191)</u>
Profit before taxation		34,670	42,963	45,006	8,142	4,260
Income tax expenses	10	<u>(5,429)</u>	<u>(7,100)</u>	<u>(8,258)</u>	<u>(1,582)</u>	<u>(1,094)</u>
Profit and total comprehensive income for the year/period attributable to the owners of the Company	11	<u>29,241</u>	<u>35,863</u>	<u>36,748</u>	<u>6,560</u>	<u>3,166</u>
Earnings per share: Basic and diluted	15	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	The Group			The Company*	
		At 31 March			At	At
		2014	2015	2016	31 May	31 May
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets						
Machinery and equipment	16	115,714	166,413	136,434	140,891	–
Deposit paid for acquisition of machinery and equipment		–	–	1,300	10,245	–
Investment in subsidiaries		–	–	–	–	106,532
		<u>115,714</u>	<u>166,413</u>	<u>137,734</u>	<u>151,136</u>	<u>106,532</u>
Current assets						
Trade and retention receivables	17	62,188	110,312	148,735	144,190	–
Amounts due from customers for contract work	18	–	740	7,059	21,603	–
Deposits, prepayments and other receivables	19	828	5,169	8,014	8,384	–
Amount due from a controlling shareholder	22	–	–	18,654	–	–
Amount due from a related company	22	–	361	1,039	–	–
Bank balances and cash	20	2,332	8,334	15,065	15,056	–
		<u>65,348</u>	<u>124,916</u>	<u>198,566</u>	<u>189,233</u>	<u>–</u>
Current liabilities						
Trade and other payables	21	23,324	31,938	56,703	73,285	–
Amounts due to customers for contract work	18	2,100	8,196	2,856	3,251	–
Amount due to a controlling shareholder	22	37,696	31,299	–	1,796	–
Amount due to a related company	22	–	–	12,740	13,209	–
Income tax payable		6,236	5,730	14,376	15,551	–
Secured bank borrowings	23	–	3,394	16,433	14,622	–
Obligations under finance leases – due within one year	24	13,258	36,097	41,872	43,711	–
Bank overdraft	23	–	165	–	–	–
		<u>82,614</u>	<u>116,819</u>	<u>144,980</u>	<u>165,425</u>	<u>–</u>
Net current (liabilities) assets		<u>(17,266)</u>	<u>8,097</u>	<u>53,586</u>	<u>23,808</u>	<u>–</u>
		<u>98,448</u>	<u>174,510</u>	<u>191,320</u>	<u>174,944</u>	<u>106,532</u>

	<i>Notes</i>	The Group			The Company*	
		At 31 March			At	At
		2014	2015	2016	31 May	31 May
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital and reserves						
Share capital	26	–	–	–	–	–
Reserves		59,755	95,618	132,366	106,532	106,532
		<u>59,755</u>	<u>95,618</u>	<u>132,366</u>	<u>106,532</u>	<u>106,532</u>
Non-current liabilities						
Obligations under finance leases – due after one year	24	33,629	67,720	48,816	58,539	–
Deferred tax liabilities	25	5,064	11,172	10,138	9,873	–
		<u>38,693</u>	<u>78,892</u>	<u>58,954</u>	<u>68,412</u>	<u>–</u>
		<u>98,448</u>	<u>174,510</u>	<u>191,320</u>	<u>174,944</u>	<u>106,532</u>

* The Company has not conducted any transactions since its incorporation other than the Group Reorganisation. The share capital shown in the statement of financial position as zero is due to rounding less than HK\$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Other reserve	Retained profits	Total
	<i>HK\$'000</i> <i>(Note i)</i>	<i>HK\$'000</i> <i>(Note ii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2013	–	–	30,514	30,514
Profit and total comprehensive income for the year	–	–	29,241	29,241
At 31 March 2014 and 1 April 2014	–	–	59,755	59,755
Profit and total comprehensive income for the year	–	–	35,863	35,863
At 31 March 2015 and 1 April 2015	–	–	95,618	95,618
Contribution from controlling equity holder in respect of transfer of Construction Machinery Rental Business	–	35,457	(35,457)	–
Profit and total comprehensive income for the year	–	–	36,748	36,748
At 31 March 2016	–	35,457	96,909	132,366
Profit and total comprehensive income for the period	–	–	3,166	3,166
Interim dividend for the period (<i>note 14</i>)	–	–	(29,000)	(29,000)
Reorganisation (<i>note 26</i>)	–	–	–	–
At 31 May 2016	–	35,457	71,075	106,532
At 1 April 2015 (audited)	–	–	95,618	95,618
Contribution from controlling equity holder in respect of transfer of Construction Machinery Rental Business	–	35,457	(35,457)	–
Profit and total comprehensive income for the period (unaudited)	–	–	6,560	6,560
At 31 May 2015 (unaudited)	–	35,457	66,721	102,178

Notes:

- (i) The amount of share capital shown as zero is due to rounding less than HK\$1,000 for the years ended 31 March 2014, 2015, 2016 and two months ended 31 May 2016.
- (ii) Other reserve represents the retained earnings in respect of the construction machinery rental business (the “Construction Machinery Rental Business”) contribution from the controlling equity holder prior to the transfer of business to the Group. Since 1 April 2015, the Construction Machinery Rental Business has been transferred from the controlling equity holder to Luen Yau Construction.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Two months ended 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
OPERATING ACTIVITIES					
Profit before taxation	34,670	42,963	45,006	8,142	4,260
Adjustments for:					
Loss on disposal/written off of machinery and equipment	38	128	657	427	58
Government subsidy	–	(350)	–	–	–
Impairment loss on trade receivables	–	171	2,636	–	–
Finance costs	1,632	5,384	7,571	1,305	1,191
Depreciation of machinery and equipment	17,423	48,400	61,715	9,695	10,958
Operating cash flows before movements in working capital	53,763	96,696	117,585	19,569	16,467
(Increase) decrease in trade and retention receivables	(16,052)	(48,295)	(98,160)	(45,682)	4,545
Decrease (increase) in amounts due from customers for contract work	3,434	(740)	(6,319)	–	(14,544)
Increase in deposits, prepayments and other receivables	(757)	(4,341)	(2,863)	(418)	(370)
Increase in trade and other payables	6,146	8,614	30,620	19,030	16,582
Increase (decrease) in amounts due to customers for contract work	2,100	6,096	(5,340)	2,901	395
(Decrease) increase in amount due from a related company	–	(361)	(678)	(191)	1,039
Cash generated from (used in) operations	48,634	57,669	34,845	(4,791)	24,114
Hong Kong Profits Tax paid	–	(1,498)	(613)	(199)	(184)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	48,634	56,171	34,232	(4,990)	23,930

	Year ended 31 March			Two months ended 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
INVESTING ACTIVITIES					
Purchase of machinery and equipment	(73,967)	(27,667)	(27,860)	(1,609)	(1,870)
Prepayment for acquisition of machinery and equipment	–	–	(1,300)	–	(3,636)
Proceeds from disposal of machinery and equipment	755	7,801	2,081	–	148
NET CASH USED IN INVESTING ACTIVITIES	(73,212)	(19,866)	(27,079)	(1,609)	(5,358)
FINANCING ACTIVITIES					
Repayment of obligations under finance lease	(7,132)	(22,431)	(19,743)	(5,585)	(7,498)
Repayment to controlling shareholder	–	(6,397)	(18,654)	(2,898)	(8,550)
Interest paid	(1,632)	(5,384)	(7,571)	(1,305)	(1,191)
Advance from controlling shareholder	33,425	–	4,158	4,158	–
Repayment of bank borrowings	–	(26)	(5,394)	(94)	(4,052)
New bank borrowings raised	–	3,420	18,433	–	2,241
Advance from a related company	–	–	28,514	5,817	469
Government subsidy	–	350	–	–	–
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	24,661	(30,468)	(257)	93	(18,581)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	83	5,837	6,896	(6,506)	(9)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,249	2,332	8,169	8,169	15,065
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,332	8,169	15,065	1,663	15,056
COMPONENTS OF CASH AND CASH EQUIVALENTS, represented by:					
Bank balances and cash	2,332	8,334	15,065	1,663	15,056
Bank overdraft	–	(165)	–	–	–
	2,332	8,169	15,065	1,663	15,056

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION AND BASIS OF PREPARATION**

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 21 April 2016. Its ultimate holding company and immediate holding company is Profit Gold Global Limited, a limited company incorporated in BVI. The addresses of the registered office and the principal place of business of the Company are detailed in the section headed “Corporate Information” in the Prospectus.

The Company is an investment holding company while the principal subsidiaries are principally engaged in the construction works and provision of construction machinery rental.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries.

Pursuant to the Reorganisation as detailed in Appendix IV to the Prospectus, the Construction Machinery Rental Business of Luen Yau Company, a sole proprietorship established by Mr. Wu Wing Hang (the “Controlling Shareholder”), have been transferred to the Group on 1 April 2015 and the Company became the holding companies now comprising the Group on 13 May 2016, the Group and the Construction Machinery Rental Business have been under the control and beneficially owned by the Controlling Shareholder throughout the Track Record Period or since their respective dates of incorporation or establishment up to 31 May 2016. The Group comprising the Company and its subsidiaries and the Construction Machinery Rental Business resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information of the Group have been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group and the Construction Machinery Rental Business throughout the Track Record Period, using the principles of merger accounting as set out in note 3 below.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows include the results and cash flows of the companies now comprising the Group and the results of the Construction Machinery Rental Business for the three years ended 31 March 2016 and the two months ended 31 May 2015 and 31 May 2016 have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation up to 31 May 2016 whichever is shorter. The consolidated statements of financial position of the Group and the Construction Machinery Rental Business as at 31 March 2014 and 2015 have been prepared to present the assets and liabilities of the companies comprising the Group and assets and liabilities specifically identified to the Construction Machinery Rental Business and the consolidated statement of financial position of the Group as at 31 March 2016 have been prepared to present the assets and liabilities of the companies comprising the Group both as if the current group structure had been in existence as at those dates.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted all the new and revised HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations (“Ints”) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2015 and throughout the Track Record Period.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation for the Group’s financial year beginning on 1 April 2014. As a result, the presentation and disclosures of certain information in the Financial Information conformed with new requirements for the Track Record Period.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 7	Disclosure Initiative ⁴
HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture ²
Amendments to HKFRS 15	Clarification to HKFRS 15 ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

- 1 Effective for annual periods beginning on or after 1 January 2018.
- 2 Effective date not yet been determined.
- 3 Effective for annual period beginning on or after 1 January 2019.
- 4 Effective for annual period beginning on or after 1 January 2017.

The directors of the Company anticipate that the application of other new and revised HKFRSs, except as described below, will have a significant impact on the Group's consolidated financial statements.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- It requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be required subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company are in the process of assessing the potential impact on the Financial Information resulting from the adoption of HKFRS 9. So far they have concluded that the adoption of HKFRS 9 may have impact on the Group's results and financial position, including the measurement of financial assets. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with the expected loss impairment model that will apply to various exposures to credit risk. Until a detailed review of the impact of adopting HKFRS 9 is performed, the Group cannot provide a reasonable estimate that quantifies the impact on the Financial Information nor can it yet conclude whether that impact will be significant or not.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied. Far more prescriptive guidances have been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are in the process of assessing the potential impact on the Financial Information resulting from the adoption of HKFRS 15. So far they have anticipated that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected by the new standard, and more disclosures relating to revenue is required.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16.

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities. The total operating lease commitment of the Group in respect of leased office properties and storage area as at 31 May 2016 amounted to HK\$354,000.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Company Ordinance. The Financial Information has been prepared on historical cost basis. 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.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year 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 is attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the consolidating entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business and net of discounts and sales related taxes.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income from financial asset 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.

Revenue recognition for construction contracts in relation to site construction, upgrade services of the infrastructure and foundation works included in the segment of construction works is set out in the section headed "Construction contracts" below.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Service income is recognised when services are provided.

Sale of scrap material income is recognised when the customer has accepted the goods and the related risks and rewards of ownership. The income excluded sales tax and is after deduction of any trade discounts.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and retention receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits cost

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Machinery and equipment

Machinery 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 over their estimated useful lives, using the straight line method for the machinery and equipment. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of machinery 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 machinery and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above, net of outstanding unsecured bank overdraft.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost 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

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. 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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and retention receivables, deposits and other receivables, amounts due from a controlling shareholder and a related company, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and retention receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reserved in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and retention receivables and other 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 trade and retention receivables and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to a controlling shareholder and a related company, secured bank borrowings and overdraft and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments 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

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investments revaluation reserve is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Government grants

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts revenue recognition

The Group recognised contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Depreciation of machinery and equipment

The Group depreciates the machinery and equipment over their estimated useful life, using the straight line method. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's machinery and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, the carrying amounts of machinery and equipment are approximately HK\$115,714,000, HK\$166,413,000, HK\$136,434,000 and HK\$140,891,000 respectively.

Estimated impairment of machinery and equipment

The Group assesses annually whether machinery and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of machinery and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, the carrying amounts of machinery and equipment are approximately HK\$115,714,000, HK\$166,413,000, HK\$136,434,000 and HK\$140,891,000 respectively. There were no impairment losses recognised as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016.

Impairment loss recognised in respect of trade and retention receivables

The policy for making impairment loss on trade and retention receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, the carrying

amounts of trade receivables were approximately HK\$46,242,000, HK\$91,074,000, HK\$125,283,000 and HK\$120,235,000 respectively (net of allowance for doubtful debts of nil, approximately HK\$171,000, HK\$2,807,000 and HK\$2,807,000 respectively). The carrying amounts of retention receivables were approximately HK\$15,946,000, HK\$19,238,000, HK\$23,452,000 and HK\$23,955,000, no impairment loss on retention receivables was recognised during the Track Record Period.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for the Track Record Period.

The capital structure of the Group consists of secured bank borrowings disclosed in note 23, bank overdraft disclosed in note 23, obligations under finance leases disclosed in note 24, and bank balances and cash disclosed in note 20, and equity attributable to the owners of Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through use of debts, the payment of dividends and issuance of new shares.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group				The Company
	At 31 March	At 31 March	At 31 May	At 31 May	At 31 May
	2014	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000		
Financial assets					
Loans and receivables (including bank balances and cash)	65,348	119,386	184,081	159,804	–
Financial liabilities					
Financial liabilities stated at amortised cost	107,907	170,613	176,564	205,162	–

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and retention receivables, deposits and other receivables, amounts due from (to) a controlling shareholder, amounts due from (to) a related company, bank balances and cash, trade and other payables, secured bank borrowings, obligations under finance leases and bank overdraft. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is

taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and retention receivables and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considers the credit risk attributable to the amounts due from a controlling shareholder and a related party to be insignificant as full settlement has been received subsequently.

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, the Group had concentration of credit risk as 49%, 17%, 9% and 31% of the total trade receivables was due from the Group's largest customer while 59%, 78%, 55% and 61% of the total trade receivables was due from the Group's five largest customers respectively.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for all of the total trade receivables as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016 respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (see note 24 for details). The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to bank balances, variable-rate secured bank borrowings and bank overdraft, and obligations under finance leases (see notes 20, 23 and 24). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the Track Record Period. The analysis is prepared assuming the financial instruments outstanding at the end of the Track Record Period were outstanding for the whole year. A 100 basis point increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower for the Track Record Period and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2014, 2015 and 2016, and two months ended 31 May 2016 would increase/decrease by approximately HK\$392,000, HK\$897,000, HK\$891,000 and HK\$976,000 respectively. This is mainly attributable to the Group's exposure to interest rates on bank balances, variable-rate bank borrowings, obligation under finance leases and bank overdraft.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flow. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

The Group

	At 31 March 2014				
	Within	1 to 2 years	2 to 5 years	Total	Carrying
	1 year or				
on demand	cash flows				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	23,324	–	–	23,324	23,324
Amount due to a controlling shareholder	37,696	–	–	37,696	37,696
Obligations under finance leases	16,120	14,782	22,571	53,473	46,887
	<u>77,140</u>	<u>14,782</u>	<u>22,571</u>	<u>114,493</u>	<u>107,907</u>

	At 31 March 2015				
	Within	1 to 2 years	2 to 5 years	Total	Carrying
	1 year or				
on demand	cash flows				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	31,938	–	–	31,938	31,938
Amount due to a controlling shareholder	31,299	–	–	31,299	31,299
Secured bank borrowings	3,498	–	–	3,498	3,394
Obligations under finance leases	42,508	38,520	34,437	115,465	103,817
Bank overdraft	165	–	–	165	165
	<u>109,408</u>	<u>38,520</u>	<u>34,437</u>	<u>182,365</u>	<u>170,613</u>

	At 31 March 2016				
	Within	1 to 2 years	2 to 5 years	Total	Carrying
	1 year or				
on demand	cash flows				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	56,703	–	–	56,703	56,703
Amount due to a related company	12,740	–	–	12,740	12,740
Secured bank borrowings	17,667	–	–	17,667	16,433
Obligations under finance leases	46,396	29,567	22,122	98,085	90,688
	<u>133,506</u>	<u>29,567</u>	<u>22,122</u>	<u>185,195</u>	<u>176,564</u>

	At 31 May 2016				Carrying amount HK\$'000
	Within 1 year or on demand	1 to 2 years	2 to 5 years	Total undiscounted cash flows	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade and other payables	73,285	–	–	73,285	73,285
Amount due to a controlling shareholder	1,796	–	–	1,796	1,796
Amount due to a related company	13,209	–	–	13,209	13,209
Secured bank borrowings	15,767	–	–	15,767	14,622
Obligations under finance leases	48,743	31,660	31,052	111,455	102,250
	<u>152,800</u>	<u>31,660</u>	<u>31,052</u>	<u>215,512</u>	<u>205,162</u>

Bank loans with a repayment on demand clause are included in the “within 1 year or on demand” time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank loans amounted to nil, approximately HK\$3,394,000, HK\$16,433,000 and HK\$14,622,000 as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016 respectively. Taking into account the Group’s financial position, the directors of the company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash flows will amount to nil, approximately HK\$3,498,000, HK\$17,667,000 and HK\$15,767,000 respectively.

Fair value measurement objective and policies

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of current financial assets, current and non-current financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

7. REVENUE AND SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable segments are as follows:

- Construction works; and
- Construction machinery rental.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

For the year ended 31 March 2014

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External revenue	107,528	52,165	159,693
Inter-segment revenue	–	54,233	54,233
	<u>107,528</u>	<u>106,398</u>	<u>213,926</u>
Segment revenue	<u>107,528</u>	<u>106,398</u>	213,926
Eliminations			<u>(54,233)</u>
Group revenue			<u>159,693</u>
Segment profit	<u>30,735</u>	<u>3,087</u>	33,822
Unallocated income			2,751
Unallocated corporate expenses			(271)
Unallocated finance costs			<u>(1,632)</u>
Profit before tax			<u>34,670</u>

For the year ended 31 March 2015

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External revenue	152,953	213,776	366,729
Inter-segment revenue	–	160,000	160,000
	<u>152,953</u>	<u>373,776</u>	<u>526,729</u>
Segment revenue	<u>152,953</u>	<u>373,776</u>	526,729
Eliminations			<u>(160,000)</u>
Group revenue			<u>366,729</u>
Segment profit	<u>21,638</u>	<u>26,013</u>	47,651
Unallocated income			2,974
Unallocated corporate expenses			(2,278)
Unallocated finance costs			<u>(5,384)</u>
Profit before tax			<u>42,963</u>

For the year ended 31 March 2016

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External revenue	168,949	240,400	409,349
Inter-segment revenue	–	114,454	114,454
	<u>168,949</u>	<u>354,854</u>	
Segment revenue			523,803
Eliminations			<u>(114,454)</u>
Group revenue			<u>409,349</u>
Segment profit	<u>31,579</u>	<u>25,601</u>	57,180
Unallocated income			3,101
Unallocated corporate expenses			(7,704)
Unallocated finance costs			<u>(7,571)</u>
Profit before tax			<u><u>45,006</u></u>

For the period ended 31 May 2015 (unaudited)

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External revenue	25,441	34,109	59,550
Inter-segment revenue	–	18,265	18,265
	<u>25,441</u>	<u>52,374</u>	
Segment revenue			77,815
Eliminations			<u>(18,265)</u>
Group revenue			<u>59,550</u>
Segment profit	<u>4,194</u>	<u>5,447</u>	9,641
Unallocated income			217
Unallocated corporate expenses			(411)
Unallocated finance costs			<u>(1,305)</u>
Profit before tax			<u><u>8,142</u></u>

For the period ended 31 May 2016

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External revenue	31,791	37,416	69,207
Inter-segment revenue	–	18,996	18,996
	<u>31,791</u>	<u>56,412</u>	<u>88,203</u>
Segment revenue	<u>31,791</u>	<u>56,412</u>	88,203
Eliminations			<u>(18,996)</u>
Group revenue			<u>69,207</u>
Segment profit	<u>4,831</u>	<u>2,153</u>	6,984
Unallocated income			1,213
Unallocated corporate expenses			(2,746)
Unallocated finance costs			<u>(1,191)</u>
Profit before tax			<u><u>4,260</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and finance costs. This is the measure reported to the directors with respect to the resource allocation and performance assessment.

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	Year ended 31 March			At 31 May
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Construction works	94,966	145,642	144,451	174,950
Construction machinery rental	83,764	136,992	155,028	147,495
	<u>178,730</u>	<u>282,634</u>	<u>299,479</u>	<u>322,445</u>
Total segment assets	178,730	282,634	299,479	322,445
Corporate and other assets	2,332	8,695	36,821	17,525
	<u>181,062</u>	<u>291,329</u>	<u>336,300</u>	<u>339,970</u>
Total assets	<u><u>181,062</u></u>	<u><u>291,329</u></u>	<u><u>336,300</u></u>	<u><u>339,970</u></u>

Segment liabilities

	Year ended 31 March			At 31 May
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Construction works	64,242	111,761	103,687	127,507
Construction machinery rental	8,069	32,190	44,060	47,268
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total segment liabilities	72,311	143,951	147,747	174,775
Corporate and other liabilities	48,996	51,760	56,187	58,663
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>121,307</u>	<u>195,711</u>	<u>203,934</u>	<u>233,438</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segment, other than unallocated deposits, prepayments and other receivables, unallocated amounts due from a controlling shareholder and a related company, and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to operating segments, other than unallocated trade and other payables, amounts due to a controlling shareholder and a related company, income tax payable, secured bank borrowings, bank overdraft and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 March 2014

	Construction works	Construction machinery rental	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets				
(Note)	59,227	58,521	–	117,748
Depreciation of machinery and equipment	4,584	12,424	415	17,423
Loss on disposal/written-off of machinery and equipment	26	12	–	38
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest expense	–	–	1,632	1,632
Income tax expenses	–	–	5,429	5,429
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2015

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (Note)	31,038	75,990	–	107,028
Depreciation of machinery and equipment	10,002	37,705	693	48,400
Impairment losses on trade receivables	171	–	–	171
Loss on disposal/written-off of machinery and equipment	53	75	–	128
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest expense	–	–	5,384	5,384
Income tax expenses	–	–	7,100	7,100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2016

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (Note)	14,667	21,107	–	35,774
Depreciation of machinery and equipment	7,203	53,821	691	61,715
Impairment losses on trade receivables	307	2,329	–	2,636
Loss on disposal/written-off of machinery and equipment	271	386	–	657
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest expense	–	–	7,571	7,571
Income tax expenses	–	–	8,258	8,258
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the period ended 31 May 2015 (unaudited)

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (Note)	3,060	6,212	–	9,272
Depreciation of machinery and equipment	3,200	6,495	–	9,695
Impairment losses on trade receivables	–	–	–	–
Loss on disposal/written-off of machinery and equipment	182	245	–	427
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest expense	–	–	1,305	1,305
Income tax expenses	–	–	1,582	1,582
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the period ended 31 May 2016

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (Note)	11,898	13,968	–	25,866
Depreciation of machinery and equipment	5,041	5,917	–	10,958
Impairment losses on trade receivables	–	–	–	–
Loss on disposal of machinery and equipment	58	–	–	58
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest expense	–	–	1,191	1,191
Income tax expenses	–	–	1,094	1,094
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Non-current assets excluded those relating to deferred tax assets.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group for the Track Record Period and the two months ended 31 May 2015 are as follows:

	Year ended 31 March			Two months ended 31 May	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Customer A ¹	95,422	87,093	82,921	16,043	N/A ⁷
Customer B ²	N/A ⁷	86,563	N/A ⁷	N/A ⁷	N/A ⁷
Customer C ³	N/A ⁷	43,423	N/A ⁷	N/A ⁷	N/A ⁷
Customer D ⁴	N/A ⁷	N/A ⁷	82,561	13,760	10,118
Customer E ⁵	N/A ⁷	N/A ⁷	N/A ⁷	N/A ⁷	9,972
Customer F ⁶	N/A ⁷	N/A ⁷	N/A ⁷	N/A ⁷	9,137

- Revenue from construction works segment for the year ended 31 March 2014 and from both construction works and construction machinery rental segments for the years ended 31 March 2015 and 2016.
- Revenue from both construction works and construction machinery rental segments for the year ended 31 March 2015.
- Revenue from construction works segment for the year ended 31 March 2015.
- Revenue from construction machinery rental segment for the year ended 31 March 2016.
- Revenue from construction works segment for the two months ended 31 May 2016.
- Revenue from both construction works and construction machinery rental segments for the two months ended 31 May 2016.
- The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group is organised into a two operating segments as construction works and construction machinery rental primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these two segments. Accordingly, no geographical information is presented.

8. OTHER INCOME

	Year ended 31 March			Two months ended 31 May	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Sales of scrap materials	1,777	1,334	705	4	150
Government subsidy (Note)	–	350	–	–	–
Insurance claim	99	156	93	–	748
Auxiliary and other service income	222	222	1,089	91	193
Machine repairment service income	–	9	230	97	30
Sundry income	653	903	984	25	92
	<u>2,751</u>	<u>2,974</u>	<u>3,101</u>	<u>217</u>	<u>1,213</u>

Note: The income is government subsidy received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” in 2015 upon disposal of certain motor vehicles.

9. FINANCE COSTS

	Year ended 31 March			Two months ended 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Interest on:					
bank overdraft and borrowings	–	45	417	27	114
obligations under finance leases	1,632	5,339	7,154	1,278	1,077
	<u>1,632</u>	<u>5,384</u>	<u>7,571</u>	<u>1,305</u>	<u>1,191</u>

10. INCOME TAX EXPENSES

	Year ended 31 March			Two months ended 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Current tax:					
Hong Kong Profits Tax	1,534	992	9,292	1,426	1,359
Deferred taxation (note 25)	3,895	6,108	(1,034)	156	(265)
	<u>5,429</u>	<u>7,100</u>	<u>8,258</u>	<u>1,582</u>	<u>1,094</u>

Notes:

- (a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period.
- (b) For the years ended 31 March 2014 and 2015, the Construction Machine Rental Business of Luen Yau Company is subject to Hong Kong Profits Tax under personal assessment and is calculated at Progressive Tax rate ranging from 2% to 17% on the estimated assessable profit.

The tax charge can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Two months ended 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Profit before taxation	<u>34,670</u>	<u>42,963</u>	<u>45,006</u>	<u>8,142</u>	<u>4,260</u>
Tax calculated at the domestic income tax rate of 16.5%	5,721	7,089	7,426	1,343	703
Effect of different tax rates of subsidiary subjected to different tax rate	(296)	25	–	–	–
Tax effect of expenses not deductible for tax purposes	14	6	852	239	391
Effect of tax exemption granted	<u>(10)</u>	<u>(20)</u>	<u>(20)</u>	<u>–</u>	<u>–</u>
Income tax expense for the year	<u>5,429</u>	<u>7,100</u>	<u>8,258</u>	<u>1,582</u>	<u>1,094</u>

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the years of assessment 2013/2014, 2014/2015 and 2015/16 by 75%, subject to a ceiling of HK\$10,000 for the year of assessment 2013/2014, and HK\$20,000 for both years of assessment 2014/2015 and 2015/2016.

11. PROFIT FOR THE YEAR

	Year ended 31 March			Two months ended 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Profit for the year has been arrived at after charging:					
Staff costs					
Salaries, wages and other benefits	37,557	105,992	112,796	18,069	18,142
Contribution to defined contribution retirement benefits scheme	1,638	3,774	5,209	537	841
Total staff costs (excluding directors' remuneration (note 12))	39,195	109,766	118,005	18,606	18,983
Auditor's remuneration	80	80	80	13	13
Depreciation of machinery and equipment	17,423	48,400	61,715	9,695	10,958
Impairment loss on trade receivable	–	171	2,636	–	–
Operating leases rental relates to office premises and storage area	82	149	356	49	65
Loss on disposal/written off of machinery and equipment	38	128	657	427	58
Listing expenses	–	–	4,849	–	1,936

12. DIRECTORS' EMOLUMENTS

Details of directors' emoluments are as follows:

Emoluments paid or receivable in respect of a persons services as a director, whether of the Company or its subsidiary undertaking:	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Employer's contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Year ended 31 March 2014				
<i>Executive directors</i>				
Mr. Wu Wing Hang	–	–	–	–
Mr. Chan Tak Ming (<i>Note ii</i>)	–	244	–	244
	–	244	–	244
	<u>–</u>	<u>244</u>	<u>–</u>	<u>244</u>
Year ended 31 March 2015				
<i>Executive directors</i>				
Mr. Wu Wing Hang	2,000	–	2	2,002
Mr. Chan Tak Ming (<i>Note ii</i>)	–	270	4	274
	2,000	270	6	2,276
	<u>2,000</u>	<u>270</u>	<u>6</u>	<u>2,276</u>
Year ended 31 March 2016				
<i>Executive directors</i>				
Mr. Wu Wing Hang	2,000	–	3	2,003
Mr. Chan Tak Ming (<i>Note ii</i>)	–	308	11	319
	2,000	308	14	2,322
	<u>2,000</u>	<u>308</u>	<u>14</u>	<u>2,322</u>
Two months ended 31 May 2015 (unaudited)				
<i>Executive directors</i>				
Mr. Wu Wing Hang	300	–	2	302
Mr. Chan Tak Ming (<i>Note ii</i>)	–	40	1	41
	300	40	3	343
	<u>300</u>	<u>40</u>	<u>3</u>	<u>343</u>
Two months ended 31 May 2016				
<i>Executive directors</i>				
Mr. Wu Wing Hang	300	–	2	302
Mr. Chan Tak Ming (<i>Note ii</i>)	–	60	3	63
	300	60	5	365
	<u>300</u>	<u>60</u>	<u>5</u>	<u>365</u>

Notes:

- (i) The remuneration represents remuneration received from the Group by the director in his capacity as an employee of the subsidiaries during the Track Record Period.
- (ii) Mr. Chan Tak Ming was appointed as executive director on 31 May 2016.

No chief executive was appointed during the Track Record Period.

The directors of the Company did not waive or agree to waive the emolument paid by the Group during the Track Record Period and the two month ended 31 May 2015. No emoluments were paid by the Group to the directors in his capacity as directors of the Company or the subsidiaries as an incentive payment for joining the Group or as compensation for loss of office during the Track Record Period and the two months ended 31 May 2015.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments for the Track Record Period in the Group, nil, one, one, nil, one was director of the Company whose emoluments is set out in note 12. The emoluments of the remaining five, four, four, five and four highest paid individuals for the Track Record Period and the two month ended 31 May 2015 were as follows:

	Year ended 31 March			Two months ended 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Salaries, allowances and other benefits	3,225	2,555	2,516	396	386
Contributions to defined contribution retirement benefits scheme	67	55	70	12	12
	<u>3,292</u>	<u>2,610</u>	<u>2,586</u>	<u>408</u>	<u>398</u>

Their emoluments were within the following bands:

	Year ended 31 March			Two months ended 31 May	
	2014 Number of individuals	2015 Number of individuals	2016 Number of individuals	2015 Number of individuals (unaudited)	2016 Number of individuals
Nil to HK\$1,000,000	4	4	4	5	4
HK\$1,000,001 to HK\$1,500,000	1	–	–	–	–
	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment for joining the Group or as compensation for loss of office during the Track Record Period and the two month ended 31 May 2015.

14. DIVIDEND

	Year ended 31 March			Two months ended 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Dividend recognised as distribution during the year/period	–	–	–	–	29,000
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>29,000</u>

An interim dividend paid by a subsidiary, Luen Yau Construction, to the controlling shareholder during the two months ended 31 May 2016 amounted to HK\$29,000,000 per share.

15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful.

16. MACHINERY AND EQUIPMENT

	Motor vehicles <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2013	12,671	33,760	21	–	46,452
Additions	20,110	97,629	9	–	117,748
Disposals/write-off	(1,086)	–	–	–	(1,086)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014 and 1 April 2014	31,695	131,389	30	–	163,114
Additions	18,500	88,495	33	–	107,028
Disposals/write-off	(331)	(11,015)	–	–	(11,346)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015 and 1 April 2015	49,864	208,869	63	–	258,796
Additions	21,550	12,758	50	116	34,474
Disposals/write-off	(940)	(7,645)	–	–	(8,585)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016 and 1 April 2016	70,474	213,982	113	116	284,685
Additions	3,946	11,625	50	–	15,621
Disposals/write-off	–	(500)	–	–	(500)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2016	<u>74,420</u>	<u>225,107</u>	<u>163</u>	<u>116</u>	<u>299,806</u>

	Motor vehicles <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Total <i>HK\$'000</i>
ACCUMULATED DEPRECIATION					
At 1 April 2013	3,980	26,285	5	–	30,270
Charge for the year	4,735	12,683	5	–	17,423
Eliminated on disposals/write-off	(293)	–	–	–	(293)
At 31 March 2014 and 1 April 2014	8,422	38,968	10	–	47,400
Charge for the year	10,874	37,518	8	–	48,400
Eliminated on disposals/write-off	(117)	(3,300)	–	–	(3,417)
At 31 March 2015 and 1 April 2015	19,179	73,186	18	–	92,383
Charge for the year	14,582	47,059	19	55	61,715
Eliminated on disposals/write-off	(918)	(4,929)	–	–	(5,847)
At 31 March 2016 and 1 April 2016	32,843	115,316	37	55	148,251
Charge for the year	2,733	8,210	5	10	10,958
Eliminated on disposals/write-off	–	(294)	–	–	(294)
At 31 May 2016	<u>35,576</u>	<u>123,232</u>	<u>42</u>	<u>65</u>	<u>158,915</u>
NET CARRYING VALUES					
At 31 March 2014	<u>23,273</u>	<u>92,421</u>	<u>20</u>	<u>–</u>	<u>115,714</u>
At 31 March 2015	<u>30,685</u>	<u>135,683</u>	<u>45</u>	<u>–</u>	<u>166,413</u>
At 31 March 2016	<u>37,631</u>	<u>98,666</u>	<u>76</u>	<u>61</u>	<u>136,434</u>
At 31 May 2016	<u>38,844</u>	<u>101,875</u>	<u>121</u>	<u>51</u>	<u>140,891</u>

Machinery and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Motor vehicles	4 years
Machinery	4 years
Furniture and equipment	5 years
Leasehold improvement	2 years

The net carrying values of machinery and equipment held under finance leases were as follows:

	At 31 March		At 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Machinery	28,182	69,262	51,738	56,158
Motor vehicles	22,629	30,399	36,999	38,248
	<u>50,811</u>	<u>99,661</u>	<u>88,737</u>	<u>94,406</u>

17. TRADE AND RETENTION RECEIVABLES

The following is an analysis of trade and retention receivables at the end of each reporting period:

	At 31 March		At 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Trade receivables	46,242	91,074	125,283	120,235
Retention receivables (<i>note</i>)	15,946	19,238	23,452	23,955
	<u>62,188</u>	<u>110,312</u>	<u>148,735</u>	<u>144,190</u>

Note: Except for the amounts of approximately HK\$12,366,000, HK\$16,315,000, HK\$9,995,000 and HK\$10,109,000 as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016 respectively, which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the certified report or invoices which approximates revenue recognition date at the end of each reporting period.

	At 31 March		At 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Within 30 days	21,506	46,246	26,236	26,035
31 to 60 days	23,041	25,101	23,949	24,013
61 to 90 days	840	14,943	14,987	24,514
91 to 180 days	569	4,015	40,266	30,286
Over 181 days	286	769	19,845	15,387
	<u>46,242</u>	<u>91,074</u>	<u>125,283</u>	<u>120,235</u>

The movement in the allowance for impairment of trade receivables is set out below:

	2014	At 31 March 2015	2016	At 31 May 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	–	–	171	2,807
Impairment loss recognised on trade receivables	–	171	2,636	–
	<u>–</u>	<u>171</u>	<u>2,636</u>	<u>–</u>
At the end of the year	<u>–</u>	<u>171</u>	<u>2,807</u>	<u>2,807</u>

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately nil, HK\$171,000, HK\$2,807,000 and HK\$2,807,000 as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, due to long outstanding and unsatisfactory repayment record.

The aged analysis of trade receivable that were past due but not impaired are as follows:

	2014	At 31 March 2015	2016	At 31 May 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due but not impaired:				
Within 30 days	22,926	30,915	23,187	22,762
31 to 60 days	840	11,216	24,183	25,948
61 to 90 days	303	3,339	16,325	11,232
91 to 180 days	329	851	17,680	18,810
Over 181 days	223	595	6,054	4,610
	<u>24,621</u>	<u>46,916</u>	<u>87,429</u>	<u>83,362</u>

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$24,621,000, HK\$46,916,000, HK\$87,429,000 and HK\$83,362,000 respectively which were past due at the end of each reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and there is no recent history of default, therefore the amounts are considered recoverable. The average age of these receivables as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016 were 47 days, 66 days, 130 days and 84 days respectively.

18. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2014	At 31 March 2015	2016	At 31 May 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognised profits less recognised losses	308,861	305,290	456,602	488,393
Less: progress billings	(310,961)	(312,746)	(452,399)	(470,041)
	<u>(2,100)</u>	<u>(7,456)</u>	<u>4,203</u>	<u>18,352</u>
Analysed for reporting purpose as:				
Amounts due from customers for contract work	–	740	7,059	21,603
Amounts due to customers for contract work	(2,100)	(8,196)	(2,856)	(3,251)
	<u>(2,100)</u>	<u>(7,456)</u>	<u>4,203</u>	<u>18,352</u>

At 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, retentions held by customers for contract work amounted to approximately HK\$15,946,000, HK\$19,238,000, HK\$23,452,000 and HK\$23,955,000 respectively and have been included in trade and retention receivables under current assets.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2014	At 31 March 2015	2016	At 31 May 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	19	39	99	133
Prepayments	–	21	2,680	3,069
Staff advance	47	334	484	420
Insurance prepayment	–	4,769	4,746	4,757
Other receivables	762	6	5	5
	<u>828</u>	<u>5,169</u>	<u>8,014</u>	<u>8,384</u>

20. BANK BALANCES AND CASH

Bank balances earned interest at floating rates based on daily bank deposit rates which range from 0.01% to 0.05% per annum.

21. TRADE AND OTHER PAYABLES

	At 31 March		At 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Trade payables	10,218	13,857	37,516	45,944
Other payables	2,512	3,396	4,000	9,381
Accruals	10,594	14,685	15,187	17,960
	<u>23,324</u>	<u>31,938</u>	<u>56,703</u>	<u>73,285</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 31 March		At 31 May	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Within 30 days	5,832	7,039	16,049	13,200
31 to 60 days	2,822	4,154	4,389	12,032
61 to 90 days	104	308	5,384	9,263
91 to 365 days	23	651	10,202	9,933
Over 365 days	1,437	1,705	1,492	1,516
	<u>10,218</u>	<u>13,857</u>	<u>37,516</u>	<u>45,944</u>

The average credit period granted is 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

22. AMOUNTS DUE FROM (TO) A CONTROLLING SHAREHOLDER AND A RELATED COMPANY

The detail of amounts due from (to) a controlling shareholder and related company is as follows:

	Maximum amount outstanding							During the two months ended 31 May 2016 HK\$'000
	At 31 March		At 31 May 2016 HK\$'000	During the year ended 31 March			31 May 2016 HK\$'000	
	2014 HK\$'000	2015 HK\$'000		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000		
<u>Related company</u>								
<u>Trade nature</u>								
中聯機械工程有限 公司(“中聯機械”)	-	361	1,039	-	-	1,206	1,039	1,039
<u>Non-trade nature</u>								
Luen Yau Company	-	-	(12,740)	(13,209)	N/A	N/A	N/A	N/A
<u>Controlling shareholder</u>								
<u>Non-trade nature</u>								
Mr. Wu Wing Hang	(37,696)	(31,299)	18,654	(1,796)	N/A	N/A	18,957	18,957

The amounts are unsecured, non-interest bearing and repayable on demand.

中聯機械 and Luen Yau Company are companies controlled by Mr. Wu Wing Hang, the director of the Company. On 19 April 2016, Mr. Wu Wing Hang has disposed all entire shares of 中聯機械.

23. SECURED BANK BORROWINGS AND BANK OVERDRAFT

	2014	At 31 March 2015	2016	At 31 May 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	–	3,394	16,433	14,622
Bank overdraft	–	165	–	–
	<u>–</u>	<u>3,559</u>	<u>16,433</u>	<u>14,622</u>
Secured	–	3,394	16,433	14,622
Unsecured	–	165	–	–
	<u>–</u>	<u>3,559</u>	<u>16,433</u>	<u>14,622</u>

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2014	At 31 March 2015	2016	At 31 May 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	571	8,136	6,702
After one year but within two years	–	590	2,311	2,330
After two years but within five years	–	1,898	5,833	5,467
Over five years	–	335	153	123
	<u>–</u>	<u>3,394</u>	<u>16,433</u>	<u>14,622</u>
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	–	2,823	8,297	7,920
Carrying amount repayable within one year	–	571	8,136	6,702
	<u>–</u>	<u>3,394</u>	<u>16,433</u>	<u>14,622</u>
Bank overdraft	–	165	–	–
	<u>–</u>	<u>3,559</u>	<u>16,433</u>	<u>14,622</u>
Amount shown under current liabilities	–	(3,559)	(16,433)	(14,622)
Amount shown under non-current liabilities	–	–	–	–

(a) The bank borrowings were denominated in HK\$ for the years.

(b) At 31 March 2015, 31 March 2016 and 31 May 2016, secured bank loans carried interest at nil, floating rates ranging from 2.5% to 4.0%, 2.5% to 6.0% and 2.5% to 6.0% per annum respectively.

- (c) During the years ended 31 March 2015 and 31 March 2016, and two months ended 31 May 2016, the Group obtained new bank borrowings in the amounts of approximately HK\$3,420,000, HK\$14,629,000 and nil respectively.
- (d) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	2014	At 31 March	2016	At 31 May
	<i>HK\$'000</i>	2015	<i>HK\$'000</i>	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Facilities amount	–	3,394	20,992	20,992
Utilisation				
– Secured bank borrowings	–	3,394	16,433	14,622
	–	–	4,559	6,370

As at 31 March 2015, 31 March 2016 and 31 May 2016, banking facilities were secured by assets pledged as set out in note 28.

As at 31 March 2015, 31 March 2016 and 31 May 2016, all banking facilities were secured by personal guarantees provided by Mr. Wu Wing Hang, the director of the Company.

As at 31 March 2016 and 31 May 2016, one of the banking facilities was secured by a personal guarantee limited to HK\$22,000,000 provided by Ms. Kwok Wai Sheung Melody (“Ms. Kwok”), the spouse of a director of the Company. The guarantee is supported by a mortgage charged over the property which is owned by Ms. Kwok.

The said guarantees given by the director and his spouse are to be released and replaced by guarantees of the Company upon Listing of the Company.

24. OBLIGATIONS UNDER FINANCE LEASES

	2014	At 31 March	2016	At 31 May
	<i>HK\$'000</i>	2015	<i>HK\$'000</i>	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purposes as:				
Current liabilities	13,258	36,097	41,872	43,711
Non-current liabilities	33,629	67,720	48,816	58,539
	46,887	103,817	90,688	102,250

It is the Group's policy to lease certain of its motor vehicles and machinery under finance lease. The average lease term is 4 years. The obligation under finance leases carried interest at floating rates from 5.64% to 10.68% per annum.

	Minimum lease payments				Present value of minimum lease payments			
	at 31 March		at 31 May		at 31 March		at 31 May	
	2014	2015	2016	2016	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases								
Within one year	16,120	42,508	46,396	48,743	13,099	36,097	41,872	43,711
More than one year but less than two years	14,782	38,520	29,567	31,660	12,796	34,972	27,572	29,145
More than two years but less than five years	22,571	34,437	22,122	31,052	20,992	32,748	21,244	29,394
	53,473	115,465	98,085	111,455	46,887	103,817	90,688	102,250
Less: future finance charges	(6,586)	(11,648)	(7,397)	(9,205)				
Present value of obligations under finance lease	46,887	103,817	90,688	102,250				
Less: amounts due for settlement within 1 year (shown under current liabilities)					(13,258)	(36,097)	(41,872)	(43,711)
Amounts due for settlement after 1 year					33,629	67,720	48,816	58,539

The finance leases are secured by certain machinery and equipment with carrying amounts of HK\$50,811,000, HK\$99,661,000, HK\$88,737,000 and HK\$94,406,000 of subsidiaries as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016 and unlimited personal guarantees given by a director as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016. The said guarantees given by the director are to be released and replaced by guarantees of the Company upon Listing of the Company.

25. DEFERRED TAX LIABILITIES

The following is the analysis of the deferred tax (liabilities), after set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	At 31 March		At 31 May	
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	2,511	727	878	728
Deferred tax liabilities	(7,575)	(11,899)	(11,016)	(10,601)
	(5,064)	(11,172)	(10,138)	(9,873)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Allowances <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Accumulated tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	–	(1,169)	–	(1,169)
Credit (charge) to profit or loss	–	(6,406)	2,511	(3,895)
At 1 April 2014	–	(7,575)	2,511	(5,064)
Credit (charge) to profit or loss	28	(4,324)	(1,812)	(6,108)
At 1 April 2015	28	(11,899)	699	(11,172)
Credit (charge) to profit or loss	435	883	(284)	1,034
At 31 March 2016	463	(11,016)	415	(10,138)
Credit (charge) to profit or loss	–	415	(150)	265
At 31 May 2016	<u>463</u>	<u>(10,601)</u>	<u>265</u>	<u>(9,873)</u>

At 31 March 2014, 31 March 2015, 31 March 2016 and 31 May 2016, the Group has unused tax losses of approximately HK\$16,476,000, HK\$4,235,000, HK\$2,515,000 and HK\$1,603,000 available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$2,511,000, HK\$699,000, HK\$415,000 and HK\$265,000 of such losses. Such losses may be carried forward indefinitely.

26. SHARE CAPITAL

The share capital as at 31 March 2014, 31 March 2015 and 31 March 2016 represented the sum of share capital of the companies then comprising the Group. The share capital as at 31 May 2016 represented the share capital of the Company.

The Company

	Number of shares	Share capital <i>HK\$</i>
Authorised		
Ordinary share of HK\$0.01 each at the date of incorporation <i>(Note a)</i>	38,000,000	380,000
	<u>38,000,000</u>	<u>380,000</u>
Issued and fully paid		
Ordinary share of HK\$0.01 each at the date of incorporation <i>(Note a)</i>	1	–
Issue in consideration for the acquisition of the issued share capital of Neotime Global <i>(Note b)</i>	1	–
Issue in consideration for the acquisition of the issued share capital of Lufa Global <i>(Note c)</i>	1	–
Issue in consideration for the acquisition of the issued share capital of Luen Yau Holdings <i>(Note d)</i>	1	–
	<u>4</u>	<u>–</u>

Notes:

- (a) On 21 April 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. At the date of incorporation, one nil-paid share of HK\$0.01 was allotted and issued.
- (b) On 28 April 2016, the Company acquired the entire issued share capital of Neotime Global by allotting and issuing one share of HK\$0.01 each as consideration to the Company.
- (c) On 28 April 2016, the Company acquired the entire issued share capital of Lufa Global by allotting and issuing one share of HK\$0.01 each as consideration to the Company.
- (d) On 13 May 2016, the Company acquired the entire issued share capital of Luen Yau Holdings by allotting and issuing one share of HK\$0.01 each as consideration to its then shareholder, Profit Gold Global Limited.

27. COMMITMENTS**Operating lease commitment***The Group as lessee*

The Group leases its office properties and storage area under operating lease arrangement. Lease is negotiated for an original term of three years. At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March		At 31 May	
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	84	7	388	354
In the second to fifth years inclusive	7	–	31	–
	<u>91</u>	<u>7</u>	<u>419</u>	<u>354</u>

28. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure the banking facilities and finance leases granted to the Group:

	Year ended 31 March			Two months ended 31 May
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Machinery and equipment	50,811	99,661	88,737	94,406
Insurance prepayment	–	4,769	4,746	4,757
	<u>50,811</u>	<u>104,430</u>	<u>93,483</u>	<u>99,163</u>

29. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in section “A. Financial Information” of this Accountants’ Report, during the Track Record Period, the Group entered into transactions with related party as follows:

Related party	Nature of transaction	Year ended 31 March			Two months ended 31 May	
		2014	2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
中聯機械	Machines rental income	–	1,439	1,013	552	–
	Other income	–	–	26	–	–
	Subcontractor fee	–	2,009	–	–	–
華興亞洲發展有限公司 (“華興亞洲”)	Machines rental income	–	1,269	–	–	–
	Subcontractor fee	–	1,438	–	–	–
		<u>–</u>	<u>2,946</u>	<u>1,039</u>	<u>552</u>	<u>–</u>

The above transaction was conducted at terms determined on a basis mutually agreed between the Group and the related party. The director of the Company, Mr. Wu Wing Hang, has beneficial interest in the above mentioned related party.

Note: Mr. Wu Wing Hang has disposed all entire shares of 中聯機械 and 華興亞洲 on 19 April 2016 and 20 May 2016 respectively.

(b) Banking facilities

A director of the Company and his spouse have provided unlimited personal guarantees and limited personal guarantee respectively for the grant of banking facilities to the Group as disclosed in note 23.

(c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the Track Record Period was as follows:

	Year ended 31 March			Two months ended 31 May	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	904	2,940	3,196	446	570
Post-employment benefits	15	25	43	6	11
	<u>919</u>	<u>2,965</u>	<u>3,239</u>	<u>452</u>	<u>581</u>

30. MAJOR NON-CASH TRANSACTIONS

During years ended 31 March 2014, 31 March 2015, 31 March 2016 and two months ended 31 May 2015 and 2016, the Group entered into finance lease arrangements in respect of motor vehicles and machinery with a total capital value at the inception of the leases of approximately HK\$43,781,000, HK\$79,361,000, HK\$6,614,000, HK\$7,663,000 and HK\$19,060,000 respectively.

On 1 April 2015, as part of the Reorganisation, the net assets of the Construction Machinery Rental Business for the companies now comprising the Group was transferred to the Group at a consideration of approximately HK\$35,457,000 and was settled through the amount due to the related company.

During the year ended 31 March 2016 and two months ended 31 May 2015, the net amount of trade and retention receivables, deposit, prepayment and other receivables, trade and other payables and income tax payable of approximately HK\$51,231,000 was received by Luen Yau Company, a related company of the Group since 1 April 2015, and was settled through the amount due to the related company.

During the two months ended 31 May 2016, the interim dividend of total amount at HK\$29,000,000 was settled by direct set off with the amount due to a controlling shareholder.

31. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK\$1,500 (HK\$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by employees.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK\$1,638,000, HK\$3,780,000, HK\$5,223,000, HK\$540,000 and HK\$846,000 for the year ended 31 March 2014, 31 March 2015, 31 March 2016 and two months ended 31 May 2015 and 2016 respectively represents contributions payable to these schemes by the Group in respect of the respective accounting period.

32. CONTINGENT LIABILITIES

A subsidiary has been named as defendant in four High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$8,774,000. Directors of the Company are visiting the claims and considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial information.

B. EVENTS AFTER THE REPORTING PERIOD**(a) Share Option Scheme**

Pursuant to the written resolutions of the sole shareholder of the Company passed on 15 November 2016, the Company has conditionally adopted a share option scheme, details of which are set out in section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus.

(b) Capitalisation Issue

Pursuant to the written resolution of the sole shareholder of the Company passed on 15 November 2016, the Company has conditionally approved the issue of shares pursuant to capitalisation issue. Details of which are set out in the section headed “Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our sole shareholder passed on 15 November 2016” in Appendix IV to the Prospectus.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 May 2016.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of 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 following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group (the "Pro Forma Financial Information") prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the Group's consolidated net tangible assets attributable to the owner of the Company as at 31 May 2016 as if the Share Offer had taken place on 31 May 2016.

The Pro Forma Financial Information has been prepared based on the judgments, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 May 2016 or any further dates following the Share Offer.

The Pro Forma Financial Information is prepared based on the audited consolidated net tangible assets attributable to owners of the Company as at 31 May 2016 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 May 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 May 2016 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 31 May 2016 <i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$0.40 per share	<u>106,532</u>	<u>56,331</u>	<u>162,863</u>	<u>0.16</u>
Based on the Offer Price of HK\$0.60 per share	<u>106,532</u>	<u>90,456</u>	<u>196,988</u>	<u>0.20</u>

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 31 May 2016 is extracted from the Accountants' Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer of 175,000,000 new Shares are based on the Offer Price of HK\$0.40 and HK\$0.60 per Share, after deduction of the underwriting fees and other related expenses paid/payable by the Company. The calculation of the estimated net proceeds from the Share Offer does not take into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme referred to in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue on 31 May 2016 but takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme referred to in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.
4. No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2016.

B ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

28 November 2016

The Board of Directors
Progressive Path Group Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Progressive Path Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 31 May 2016 and related notes as set out on pages II-1 to II-2 of the prospectus (“Prospectus”) date 28 November 2016 in connection with proposed share offer (the “Share Offer”) of the shares of the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Group’s financial position as 31 May 2016 as if the Share Offer had taken place at 31 May 2016. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s financial information for the years ended 31 March 2014, 2015, 2016 and two months ended 31 May 2016, on which an accountants’ report has been included in the Appendix I to the Prospectus.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of the Share Offer on unadjusted financial information of the Group as if the Share Offer had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 May 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 by the directors of the Company 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 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 April 2016 under 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 provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 15 November 2016. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the 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 any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting,

but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise

agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as

may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be

repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person

to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise

the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and

elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the 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 consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 21 April 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 12 July 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 April 2016. Our Company's registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 20 May 2016 and our principal place of business in Hong Kong is at Unit 1919, 19/F, Tuen Mun Central Square, 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong. Mr. Wu and Ms. Lee Ying Ying have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution documents comprise the Memorandum of Association and the Articles of Association. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was issued and allotted fully-paid to the subscriber on 21 April 2016, which was subsequently transferred to Profit Gold on the same date.
- (b) On 13 May 2016, in consideration of the acquisition by Neotime Global of the entire issued share capital of Luen Yau Machinery, one Share was issued and allotted to Profit Gold, credited as fully paid, at the direction of Mr. Wu.
- (c) On 13 May 2016, in consideration of the acquisition by Lufa Global of the entire issued share capital of Luen Yau Construction, one Share was issued and allotted to Profit Gold, credited as fully paid, at the direction of Mr. Wu.
- (d) On 13 May 2016, in consideration of the acquisition by our Company of the entire issued share capital of Luen Yau Holdings, one Share was issued and allotted to Profit Gold, credited as fully paid, at the direction of Mr. Wu.
- (e) On 15 November 2016, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 additional Shares, each ranking *pari passu* with our Shares then in issue in all respects.

- (f) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, 1,000,000,000 Shares, fully paid or credited as fully paid, will be in issue, and 9,000,000,000 Shares will remain unissued.
- (g) Other than pursuant to the general mandate to issue Shares referred to in the section headed “3. Written resolutions of our sole Shareholder passed on 15 November 2016” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.
- (h) Save as disclosed in the section headed “Share Capital” of this prospectus and in the section headed “2. Changes in share capital of our Company” in this appendix, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 15 November 2016

By written resolutions of our sole Shareholder passed on 15 November 2016:

- (a) our Company approved and adopted the Memorandum of Association and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements, or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option pursuant to the Share Offer, to rank *pari passu* with the then existing Shares in all respects;

- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “D. Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional further on the share premium account of our Company being credited as a result of the issue of the New Shares under the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$8,249,999.96 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 824,999,996 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 15 November 2016 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares issued and allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum of Association and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme (the “Repurchase Mandate”), and the Repurchase Mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (e) a general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group’s structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

- (a) With effect from 1 April 2015, Mr. Wu (as transferor and covenantor) trading as Luen Yau Company transferred, among other things, its construction machinery and vehicles rental business in Hong Kong, which included all of the contractual benefits and obligations, assets and liabilities in relation to the machinery rental business to Luen Yau Construction (as transferee).

- (b) On 18 February 2016, Profit Gold was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 12 April 2016, one fully paid up ordinary share (representing the entire issued share capital of Profit Gold) was issued and allotted to Mr. Wu. After the aforesaid allotment and issue of share, the entire issued share capital of Profit Gold was owned by Mr. Wu.
- (c) Our Company was incorporated on 21 April 2016 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. As at the date of incorporation, one fully-paid Share was issued and allotted to the subscriber according to the Memorandum of Association and the Articles of our Company, which was later transferred to Profit Gold on the same date. After the aforesaid transfer of Share, the entire issued share capital of our Company was owned by Profit Gold.
- (d) On 5 January 2016, Neotime Global, an intermediate holding company of our Group, was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. One fully paid share was allotted and issued to our Company on 28 April 2016. After the aforesaid allotment and issue of share, the entire issued share capital of Neotime Global was owned by our Company.
- (e) On 1 February 2016, Lufa Global, an intermediate holding company of our Group, was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. One fully paid share was allotted and issued to our Company on 28 April 2016. After the aforesaid allotment and issue of share, the entire issued share capital of Lufa Global was owned by our Company.
- (f) On 13 May 2016, Neotime Global acquired one share of Luen Yau Machinery, representing the entire issued share capital of Luen Yau Machinery, from Mr. Wu. In consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu. After the aforesaid share transfer, Luen Yau Machinery became a direct-wholly owned subsidiary of Neotime Global.
- (g) On 13 May 2016, Lufa Global acquired one share of Luen Yau Construction, representing the entire issued share capital of Luen Yau Construction, from Mr. Wu. In consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu. After the aforesaid share transfer, Luen Yau Construction became a direct-wholly owned subsidiary of Lufa Global.
- (h) On 13 May 2016, our Company acquired 100 shares of Luen Yau Holdings, representing its entire issued share capital from Mr. Wu. In consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu. After the aforesaid share transfer, our Company held 100 shares, being the entire issued share capital of Luen Yau Holdings and Luen Yau Holdings became a wholly-owned subsidiary of our Company, and in turn, each of Luen Yau Management (HK) and Luen Yau Management (BVI) became indirect wholly-owned subsidiary of our Company.

- (i) On 15 November 2016, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$100,000,000 by creation of an additional 9,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.

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

5. Changes in share capital of subsidiaries

Our subsidiaries are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in section headed "4. Corporate reorganisation" above, no changes in the share capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 15 November 2016, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares representing up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued and allotted pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles, the laws of the Cayman Islands and the Listing Rules. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a core connected person, which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer, could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a confirmatory deed dated 28 April 2016 entered into among Mr. Wu trading as Luen Yau Company (as transferor), Luen Yau Construction (as transferee) and Mr. Wu (as covenantor), pursuant to which Mr. Wu trading as Luen Yau Company transferred, among other things, its construction machinery and vehicles rental business to Luen Yau Construction at a consideration of HK\$35,457,232;
- (b) a sale and purchase agreement dated 13 May 2016 entered into among Mr. Wu (as vendor), Neotime Global (as purchaser) and our Company, pursuant to which Neotime Global agreed to purchase and Mr. Wu agreed to sell one share of Luen Yau Machinery, representing the entire issued share capital of Luen Yau Machinery, and in consideration thereof, our Company to issue and allot one Share to Profit Gold as directed by Mr. Wu;

- (c) an instrument of transfer and bought and sold notes all dated 13 May 2016 between Mr. Wu (as transferor) and Neotime Global (as transferee), pursuant to which Mr. Wu transferred one share of Luen Yau Machinery to Neotime Global, and in consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu;
- (d) a sale and purchase agreement dated 13 May 2016 entered into among Mr. Wu (as vendor), Lufa Global (as purchaser) and our Company, pursuant to which Lufa Global agreed to purchase and Mr. Wu agreed to sell one share of Luen Yau Construction, representing the entire issued share capital of Luen Yau Construction, and in consideration thereof, our Company to issue and allot one Share to Profit Gold as directed by Mr. Wu;
- (e) an instrument of transfer and bought and sold notes all dated 13 May 2016 between Mr. Wu (as transferor) and Lufa Global (as transferee), pursuant to which Mr. Wu transferred one share of Luen Yau Construction to Lufa Global, and in consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu;
- (f) a sale and purchase agreement dated 13 May 2016 entered into between Mr. Wu (as vendor) and our Company (as purchaser), pursuant to which our Company agreed to purchase and Mr. Wu agreed to sell 100 shares of Luen Yau Holdings, representing the entire issued share capital of Luen Yau Holdings, and in consideration thereof, our Company to issue and allot one Share to Profit Gold as directed by Mr. Wu;
- (g) an instrument of transfer and bought and sold notes all dated 13 May 2016 between Mr. Wu (as transferor) and our Company (as transferee), pursuant to which Mr. Wu transferred 100 shares of Luen Yau Holdings to our Company, and in consideration thereof, our Company issued and allotted one Share to Profit Gold as directed by Mr. Wu;
- (h) the Deed of Non-competition;
- (i) the Deed of Indemnity; and
- (j) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) *Domain names*

As at the Latest Practicable Date, our Group has registered the following domain name:

Registrant	Domain Name	Registration Date	Expiry Date
Luen Yau Management (HK)	ppgh.com.hk	25 May 2016	25 May 2017

C. FURTHER INFORMATION ABOUT OUR SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and the associated corporations

Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued pursuant to the exercise of any Over-allotment Option and any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/interested in immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Wu	Interest in a controlled corporation (<i>Note</i>)	750,000,000	75%

Note: Mr. Wu is the beneficial owner of the entire issued share capital of Profit Gold.

(ii) Long position in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Wu	Profit Gold	Beneficial interest	1	100%

(b) *Interests of substantial and other Shareholders in the Shares and underlying Shares*

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of interest
Profit Gold	Beneficial interest (<i>Note 1</i>)	750,000,000	75%
Ms. Kwok Wai Sheung Melody	Interest of spouse (<i>Note 2</i>)	750,000,000	75%

Notes:

1. Mr. Wu is the beneficial owner of the entire issued share capital of Profit Gold.
2. Ms. Kwok Wai Sheung Melody is the spouse of Mr. Wu and is deemed or taken to be interested in all the Shares in which Mr. Wu has, or is deemed to have, an interest for the purposes of the SFO.

2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in the three years ended 31 March 2016 and two months ended 31 May 2016 were approximately HK\$0.2 million, HK\$2.3 million, HK\$2.3 million and HK\$0.4 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$3.7 million.

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

	<i>HK\$</i>
Executive Directors	
Mr. Wu Wing Hang	3,300,000
Mr. Chan Tak Ming	360,000
Independent non-executive Directors	
Mr. Lee Man Tai	60,000
Mr. Leung Ka Fai	60,000
Mr. Wong Yiu Kit Ernest	60,000

4. Fees or commission received

Save as disclosed in this prospectus, none of our Directors or the experts named in the section headed “E. Other Information – 7. Consents of experts” in this appendix had received any agency fees, discounts, commissions, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 29 to the Accountants’ Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in the section headed “Business” and Appendix IV to this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the section headed “E. Other Information – 7. Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors or the experts named in the section headed “E. Other Information – 7. Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors or the experts named in the section headed “E. Other Information – 7. Consents of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (e) taking no account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the section headed “A. Further Information about our Company” in this appendix, and taking no account of Shares which may be taken up under the Share Offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and Share Offer, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries;
- (f) taking no account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed; and
- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME**1. Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	15 November 2016, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 15 November 2016:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 100,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any

other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain core connected persons

- i. Any grant of an option to a Director, chief executive or substantial Shareholder (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of our Shares in issue; and
- (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

(i) Our Company may not grant any options after any inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (b) the last day on which for our Company is to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date

of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial

adviser to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror), our Company shall use its best endeavours to procure that an appropriate offer is extended to all the grantee (on comparable terms, mutatis mutandis, and assuming that they will become, by exercise in full of the options granted to them, as Shareholders) and when such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to

consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

- (1) the expiry of the period referred to in paragraph (i) above;
- (2) the date on which our Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (3) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (n), (o), (q), (r) or (s) above;
- (4) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (5) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

- (6) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (7) subject to the compromise or arrangement as referred to in paragraph (s) becoming effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any alternations to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the Listing of and permission to deal in 100,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. Wu and Profit Gold (collectively, the “Indemnifiers”) have, under the Deed of Indemnity referred to in paragraph (i) of the section headed “B. Further Information about the Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; (c) any penalties claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, charges, fees, expenses and fines of whatever nature imposed on, suffered by or incurred by our Company and/or any member of our Group as a result of directly or indirectly or in connection with any litigation (including outstanding and potential litigation), arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise, instituted by or against our Company and/or any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; and (d) any penalties, claims, action, demands, proceedings, suits, judgements, losses, payments, liabilities, damages, settlement payments, costs, administrative or other charges, fees, expenses

and fines of whatever nature which may be imposed on or suffered by or incurred by the Company and/or any member of our Group in relation to any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of our Company or any other member of our Group for the Track Record Period. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited consolidated financial statements of the Company or any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Company and/or any member of our Group after 31 May 2016 up to and including the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed “Business – Legal Proceedings and Legal Compliance” of this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the Listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK\$4.5 million to the Sponsor to act as the Sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$43,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Ample Capital Limited	A licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Appleby	Cayman Islands attorneys-at-law
Mr. Chan Chung	Barrister-at-law of Hong Kong
SHINEWING (HK) CPA Limited	Certified Public Accountants
SHINEWING Risk Services Limited	Internal control consultant
SHINEWING Tax and Business Advisory Limited	Tax adviser

7. Consents of experts

Each of Ample Capital Limited, Appleby, Mr. Chan Chung, SHINEWING (HK) CPA Limited, SHINEWING Risk Services Limited and SHINEWING Tax and Business Advisory Limited has given and has not withdrawn its/his written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or advice and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which it/he is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a Hong Kong share register of members will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the share register in Hong Kong and may not be lodged in the Cayman Islands.

10. No material adverse change

Our Directors confirmed that save as disclosed in the section headed “Summary – Listing Expenses” of this prospectus, there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 May 2016 (being the date to which the latest audited financial statements of our Group were made up) and up to the date of this prospectus.

11. Particulars of the Selling Shareholder

The Selling Shareholder is Profit Gold, a company incorporated in the BVI with limited liability on 18 February 2016 with registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI. Profit Gold is wholly owned by Mr. Wu. It is an investment company.

12. Miscellaneous

Save as disclosed in this prospectus:

- (i) Within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable (except to the Underwriters) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of the subsidiaries;
- (ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;

- (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (v) none of Ample Capital Limited, Appleby, Mr. Chan Chung, SHINEWING (HK) CPA Limited, SHINEWING Risk Services Limited and SHINEWING Tax and Business Advisory Limited:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (vi) our Company and the subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vii) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name as a dual foreign name of our Company in conjunction with the English name does not contravene Cayman Islands laws;
- (viii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (ix) there is no arrangement under which future dividends are waived or agreed to be waived;
- (x) all necessary arrangement have been made to enable our Shares to be admitted into CCASS for clearing and settlement;
- (xi) our Group has no outstanding convertible debt securities; and
- (xii) the English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (c) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus; and
- (d) the list containing particulars of the Selling Shareholder as set out in the section headed “Statutory and General Information – E. Other Information – 11. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of David Fong & Co. at Unit A, 12th Floor, China Overseas Building, 139 Hennessy Road, Wan Chai, 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 of Association and the Articles of Association;
- (b) the accountants’ report of our Group prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for the three years ended 31 March 2016 and the two months ended 31 May 2016;
- (e) the letter prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (f) the material contracts referred to the section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (g) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the rules of the Share Option Scheme;
- (j) the legal advice prepared by our Legal Counsel;
- (k) the tax review report prepared by our Tax Adviser;
- (l) the internal control report and compliance procedures review report prepared by SHINEWING Risk Services Limited; and
- (m) statement of particulars of the Selling Shareholder.

PROGRESSIVE PATH GROUP HOLDINGS LIMITED
進昇集團控股有限公司