



創業集團(控股)有限公司
**NEW CONCEPTS
HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Stock Code : 2221



Sole Sponsor, Sole Coordinator, Sole Bookrunner and Sole Lead Manager

IMPORTANT

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

NEW CONCEPTS HOLDINGS LIMITED

創業集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 100,000,000 Shares
Number of Public Offer Shares	: 10,000,000 Shares (subject to adjustment)
Number of Placing Shares	: 90,000,000 Shares (subject to adjustment)
Maximum Offer Price	: HK\$0.90 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)
Nominal Value	: HK\$0.10 per Share
Stock Code	: 2221

Sole Sponsor



Halcyon Capital Limited

Sole Coordinator, Sole Bookrunner and Sole Lead Manager



Halcyon Securities Limited

Co-Lead Managers

(in alphabetical order)

Convoy Investment Services Limited
康宏証券投資服務有限公司



Shenyin Wanguo Capital (H.K.) Limited



GREAT ROC
CAPITAL SECURITIES LIMITED
鴻鵬資本證券有限公司



Investec



Tung Shing Securities (Brokers) Limited
東盛證券(經紀)有限公司

Member of SEA Group 東亞證券集團成員

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, with the documents specified in the section headed "A. Documents delivered to the Registrar of Companies" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Cap. 32 Companies (WUMP) Ordinance. The SFC and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 11 September 2014 or such later date as may be agreed by the Sole Coordinator and our Company, but in any event not later than Saturday, 13 September 2014. The Offer Price will not be more than HK\$0.90 per Offer Share and is currently expected to be not less than HK\$0.75 per Offer Share unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.90 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.90.

The Sole Coordinator (for itself and on behalf of the Underwriters) may, with consent of our Company, 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 reduction of the indicative Offer Price range will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.ncfl.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 the Sole Coordinator (for itself and on behalf of the Underwriters) and our Company on or before 13 September 2014, the Share Offer will not become unconditional and will lapse.

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

Prospective investors of the Public Offer Shares should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers for, the Public Offer Shares, are subject to termination by the Sole Coordinator (for itself and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the related Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the related Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

4 September 2014

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Public Offer, we will publish an announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.ncfl.com.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
Wednesday, 10 September 2014

Application lists of the Public Offer open⁽³⁾ 11:45 a.m. on
Wednesday, 10 September 2014

Latest time to lodge **WHITE**
and **YELLOW** Application Forms and giving
electronic application instructions to HKSCC⁽⁴⁾ 12:00 noon on
Wednesday, 10 September 2014

Latest time to complete payment of **HK eIPO White Form**
applications by effecting internet banking transfers(s)
or PPS payment transfer(s) 12:00 noon on
Wednesday, 10 September 2014

Application lists of the Public Offer close⁽³⁾ 12:00 noon on
Wednesday, 10 September 2014

Expected Price Determination Date⁽⁵⁾ 11 September 2014

Announcement of the final Offer Price, the level of
indication of interest in the Placing, the results and
the basis of allotment of the Public Offer Shares
under the Public Offer to be published
on our Company's website at www.ncfl.com.hk and
on the website of the Stock Exchange
at www.hkexnews.hk on or before Thursday, 18 September 2014

Results of allocations in the Public Offer
(with successful applicants' identification
document numbers, where appropriate) to be
available through a variety of channels as described
in the section headed "How to apply for the
Public Offer Shares" including our Company's website at
www.ncfl.com.hk and the website of the Stock Exchange
at www.hkexnews.hk from Thursday, 18 September 2014

Results of allocations in the Public Offer will be
available at www.tricor.com.hk/ipo/result with
a "search by ID" function Thursday, 18 September 2014

EXPECTED TIMETABLE⁽¹⁾

Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁶⁾ Thursday, 18 September 2014

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final offer price is less than the price payable on application (if applicable) and unsuccessful applications pursuant to the Public Offer on or before⁽⁷⁾ Thursday, 18 September 2014

Dealings in Shares on the main board of the Stock Exchange expected to commence at 9:00 a.m. on Friday, 19 September 2014

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.ncfl.com.hk.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at, www.hkeipo.hk, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 10 September 2014, the application lists will not open or close on that day. Please refer to the paragraph headed “How to apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists” in this prospectus. If the application lists do not open and close on Wednesday, 10 September 2014, the dates mentioned in this section headed “Expected timetable” may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for the Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply for the Public Offer Shares — Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Thursday, 11 September 2014 and, in any event, not later than Saturday, 13 September 2014. If, for any reason, the Offer Price is not agreed between the Sole Coordinator (for itself and on behalf of the Underwriters) and our Company by Saturday, 13 September 2014, the Share Offer (including the Public Offer) will not proceed and will lapse.
- (6) Applicants who apply on **WHITE** Application Form or through **HK eIPO White Form** for 1,000,000 or more Offer Shares and will have provided all information required may collect Share certificates (if applicable) and refund cheques (if applicable) in person from our 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 Thursday, 18 September 2014 or any other date as announced by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals for personal collection must not authorise any other person to make their collection on their

EXPECTED TIMETABLE⁽¹⁾

behalf. Applicants being corporations for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques will be despatched by ordinary post to the addressees specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

- (7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure of the Share Offer" in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Share Offer.

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SUMMARY

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

OUR BUSINESS AND OPERATIONS

As a contractor in the Hong Kong construction industry, we are principally engaged in foundation, civil engineering and general building works in Hong Kong. We completed 15 Major Projects (in respect of which we were appointed as main contractor or sub-contractor by our customers in both public and private sectors) during the Track Record Period and up to the Latest Practicable Date (and the foundation part and the basement construction part in our Un Chau Street Foundation and Basement Project were counted as one foundation project and one general building project respectively). As at the Latest Practicable Date, we had 18 Major Projects in progress and were awarded two Major Projects which had not yet commenced. Our construction business is generally undertaken by our two operating subsidiaries, NC Foundation and NC Engineering, and are generally categorised into three types:

- (a) Foundation works: these mainly include bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap works.
- (b) Civil engineering works: these mainly include site formation (including associated infrastructure works), roads and drainage works and landslip preventive and remedial works to slopes and retaining walls.
- (c) General building works: we act as main contractor in some building projects, and may also be retained as sub-contractors in projects of alterations and additions, renovation, and fitting-out for existing buildings.

The number of Major Projects handled by our Group and the revenue attributable to the three categories of our construction works during the Track Record Period are as follows:

Work Segments	Number of Major Projects handled by our Group and revenue attributable to particular segment for								
	FY2012			FY2013			FY2014		
	<i>No. of Major Projects handled (Note 1)</i>	<i>Amount (HK\$ million)</i>	<i>Proportion (%)</i>	<i>No. of Major Projects handled (Notes 1 & 2)</i>	<i>Amount (HK\$ million)</i>	<i>Proportion (%)</i>	<i>No. of Major Projects handled (Note 1)</i>	<i>Amount (HK\$ million)</i>	<i>Proportion (%)</i>
Foundation	6	79.4	42	4	34.1	15	12	81.9	18
Civil engineering	6	108.8	57	5	98.1	42	4	65.2	14
General building	2	2.7	1	2	98.2	43	3	315.9	68
Total	14	190.9	100	11	230.4	100	19	463.0	100

SUMMARY

- Notes:* (1) Some projects may last for a few years, while some may last a few months but fall within two financial years. The number of Major Projects handled as shown in the above table is counted based on revenue recognised during a particular financial year.
- (2) During FY2013, revenue was recorded from both the foundation part and the basement construction part in our Un Chau Street Foundation and Basement Project. They were counted respectively as one foundation project and one general building project in the above table.

The total contract sum, the related amount of contract sum not yet recognised as revenue (where applicable) and range of project completion dates of the Major Projects that (i) are in progress as at the Latest Practicable Date; and (ii) are awarded but yet to commence as at the Latest Practicable Date are as follows:

	Total contract sum (HK\$ million)	Revenue recognised for FY2014 and before (HK\$ million)	Revenue recognised from 1 April 2014 and up to the Latest Practicable Date (HK\$ million)	Amount of contract sum not yet recognised as revenue as at the Latest Practicable Date (HK\$ million)	Range of project completion dates
Major Projects that are in progress as at the Latest Practicable Date	1,436.6	589.2	170.5	676.9 <i>(Note 1)</i>	July 2014 <i>(Note 2)</i> – January 2016
Major Projects that are awarded but yet to commence as at the Latest Practicable Date	160.4	N/A	N/A	160.4	December 2014– April 2015

Notes:

- This amount includes respective contract sums of the Central Slopes Project and Wong Tai Sin Project. Such contract sums were revised and arrived by our project manager based on the reduction in the respective contract sum estimated by the project manager with reference to the revised scope of works as stated in the variation orders received from the consultant of our customer and the schedule of rates pursuant to the relevant construction contracts. Please refer to the paragraph headed “Construction projects — Projects in progress based on information available as at the Latest Practicable Date” for further details. Those variation orders only stated the reduction of scope of works of the Central Slopes Project and Wong Tai Sin Project and did not include a quantified revised contract sum. Under the relevant accounting standards, the reporting accountants view that those variation orders from an Independent Third Party did not indicate the respective customer’s express agreement with the revised contract sum amount, and thus the relevant “contract sums” are not revised according to the variation orders for accounting purposes in the accountants’ report.
- This is the original completion date of the Kap Pin Long Project. For further details of its delay in completion, please refer to the paragraph headed “Business — Projects in progress based on information available as at the Latest Practicable Date — Delay in construction progress of the Kap Pin Long Project” in this prospectus.

SUMMARY

Our Group did not during the Track Record Period (and does not plan for the near future to) concentrate on a particular segment, nor allocate resources in strictly equal proportion to each of such three segments. As shown in the above table, revenue generated from each of the three segments fluctuated during the Track Record Period.

Our revenues for FY2012, FY2013 and FY2014 amounted to approximately HK\$190.9 million, HK\$230.4 million and HK\$463.0 million respectively, representing a CAGR of approximately 34.4%. Particularly, revenue attributable to the Un Chau Street Building Project and Un Chau Street Foundation and Basement Project amounted to about HK\$50.6 million, HK\$113.3 million and HK\$308.6 million for FY2012, FY2013 and FY2014 respectively, and such aggregate revenues represent about 53% of our Group's total revenue for the entire Track Record Period. Such project is a 30-storey residential development (without taking account of the basement) in Sham Shui Po, Kowloon, which is estimated to be completed in the third quarter of 2014. The owner and our employer of the project is Customer B, who is an Independent Third Party.

The following table sets forth a breakdown of our revenue and the respective gross profit margin attributable to the Un Chau Street Projects and other projects of our Group for the Track Record Period:

Business segments/ Projects	FY2012			FY2013			FY2014		
	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %
Foundation	79,443	15,478	19.5%	34,157	12,479	36.5%	81,946	22,752	27.8%
Un Chau Street Projects (foundation portion)	48,645	12,085	24.8%	15,146	12,479	82.4%	—	—	—
Other projects	30,798	3,393	11.0%	19,011	—	0%	81,946	22,752	27.8%
Civil engineering	108,747	3,127	2.9%	98,102	3,970	4.0%	65,149	2,478	3.8%
General building	2,668	1,234	46.2%	98,166	20,458	20.8%	315,926	59,939	19.0%
Un Chau Street Projects (general building portion, including basement)	2,033	767	37.7%	98,166	20,458	20.8%	308,574	58,337	19.0%
Other projects	635	467	73.5%	—	—	—	7,352	1,602	21.8%
Total attributable to the Un Chau Street Projects (both foundation and general building portions)	50,678	12,852	25.4%	113,312	32,937	29.1%	308,574	58,337	19.0%
Total	190,858	19,839		230,425	36,907		463,021	85,169	

SUMMARY

Notes

1. The relatively high gross profit margin recorded for the Un Chau Street Projects in FY2013 was mainly attributable to the high profit margin of the Un Chau Street Foundation and Basement Project (foundation portion) in FY2013. The reasons for such high margin are as follows:
 - (i) the Un Chau Street Foundation and Basement Project (foundation portion) recorded an overall higher profit margin of approximately 38%. It was due to the complexity of piling works in a densely populated urban area and the utilisation of our Group's own piling equipment;
 - (ii) certain variation works were carried out for the Un Chau Street Foundation and Basement Project (foundation portion) in FY2012 and hence associated costs were recorded in the FY2012. However, as the quantum of these variation works were only confirmed by our customer's architect in FY2013, the revenue in respect of these variation works was recognised in FY2013 instead; and
 - (iii) our Group filed notices of claim in respect of the additional cost incurred due to certain changes in design for the Un Chau Street Foundation and Basement Project (foundation portion) in FY2012. These claims were only approved by our customer's architect in FY2013 and thus the revenue associated with these claims were only recognised in FY2013.

As the costs associated with (ii) and (iii) above were recorded in FY2012, while the respective revenue was recognised in FY2013, our Group's overall gross profit margin in FY2013 is substantially higher than that in FY2012.

2. Due to the allocation of the majority of our Group's resources to carry out the Un Chau Street Foundation and Basement Project, some other foundation projects were sub-contracted to sub-contractors (being Independent Third Parties) at cost, while our Group acted as project manager in those projects. Management fee income was thus recognised from these foundation projects as other income of our Group.

We hold all the necessary licences and permits which are required to carry on our Group's activities in the three segments of our construction business in Hong Kong. For details, please refer to the paragraph headed "Business — Major qualifications, certifications, awards and compliance — Licences and qualifications in Hong Kong" in this prospectus.

Competitive strengths

Our Directors believe that our Group possesses the following competitive strengths which are described in greater details in the paragraph headed "Business — Competitive strengths" in this prospectus:

- our diverse qualifications allow us to capture business opportunities in the construction industry
- we have long operational history and good reputation in the construction industry
- we have experienced and professional management and we provide our staff with quality training

SUMMARY

- we own a range of imported principal machinery
- our management places emphasis on stringent quality assurance and high safety standard and environmental impact control

Business strategies

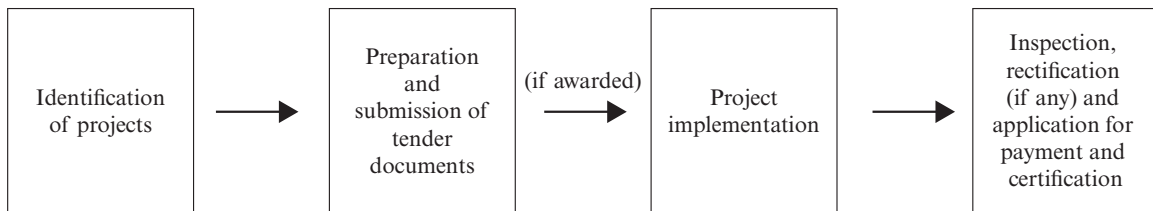
We plan to accomplish our business expansion through implementing the following strategies:

- in view of the Hong Kong Government's target to increase supply of housing units and public expenditure on infrastructure, we will continue to seek proactively opportunities in construction works from both the private and public sectors in Hong Kong; and
- we plan to expand our scale by continuing to acquire more machinery and hire more professional and skilled staff and provide more on-the-job training to them, which will enable our Group to tender for larger scale construction projects and broaden our customer base by meeting the pre-qualifications of tenderers prescribed by potential customers.

We also plan to apply to WBDB for inclusion of our Group member(s) in Group C (on probation) in the category of buildings in the Approved Public Works Contractors List.

Operating procedures

The key steps of our project workflows are summarised as follows:



For project implementation, this step mainly includes (among other activities) formation of a project management team, procurement of materials and equipment (if necessary), selection and appointment of sub-contractors (if necessary). Throughout the project implementation process, we generally assume the role of liaising and co-ordinating with customers, sub-contractors (if any) and materials and equipment suppliers, and to take charge of the related management of these works.

Customers

Our customers (who are the counterparties to our contracts) are in both the public sector (including the Hong Kong Government and related organisations and statutory bodies such as the Housing Authority), and the private sector. During the Track Record Period, our five largest customers accounted for approximately 96.4%, 100% and 96.2% of

SUMMARY

our revenue, respectively; and our largest customer accounted for approximately 53.8%, 49.2% and 66.6% of our revenue, respectively. We have not entered into any long-term master contracts with any of these customers. We do not maintain a specialised team of sales and marketing staff. Instead, the marketing works are mainly conducted by our executive Directors.

None of our Directors, their associates or any Shareholder (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of the Company as at the Latest Practicable Date) has any interest in any of our five largest customers during the Track Record Period.

Sub-contractors and suppliers

We engage sub-contractors from time to time to take up some of the works in our projects, so that we (particularly when acting as main contractor) can focus on quality control and overall project management. Such arrangement also allows us to deploy our resources in a more cost-effective manner. We have measures to monitor the performance of our sub-contractors and to ensure that our sub-contractors comply with the terms of the sub-contracting agreements and the relevant laws, rules and regulations.

The sub-contracting charges incurred by us amounted to approximately HK\$152.0 million, HK\$152.0 million and HK\$328.8 million for FY2012, FY2013 and FY2014 respectively, representing approximately 88.9%, 78.5% and 87.0% of our total cost of sales for each of the respective financial years. Sub-contracting charges attributable to our largest sub-contractor accounted for approximately 66.0%, 60.4% and 25.0% of our total sub-contracting charges for each of FY2012, FY2013 and FY2014 respectively, while our five largest sub-contractors accounted for approximately 97.4%, 98.3% and 80.6% of our total sub-contracting charges for each of the corresponding financial years.

Most of the works involved in our foundation and civil engineering projects require the use of machinery and construction materials, whereas for general building works, we focus mainly on the procurement of the materials and equipment. We incurred approximately HK\$6.6 million, HK\$21.6 million and HK\$25.4 million in construction materials costs for FY2012, FY2013 and FY2014 respectively, representing approximately 3.9%, 11.2% and 6.7% of our cost of sales for each of the respective financial years. Construction materials costs attributable to our largest supplier (excluding our sub-contractors) accounted for approximately 38.5%, 57.1% and 56.6% of our total construction materials costs for each of FY2012, FY2013 and FY2014 respectively, and construction materials costs attributable to our five largest suppliers (excluding our sub-contractors) accounted for approximately 91.3%, 97.6% and 92.0% of our total construction materials costs for each of the respective financial years.

None of our Directors, their associates or any Shareholders (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company at the Latest Practicable Date) have any interest in any of our five largest suppliers (excluding our sub-contractors) or our five largest sub-contractors during the

SUMMARY

Track Record Period, except for Sub-contractor A (in which a director of our subsidiary was an indirect substantial shareholder up to November 2013, as disclosed in the paragraph headed “Business — Suppliers and sub-contractors — Sub-contracting — Our five largest sub-contractors during the Track Record Period” in this prospectus).

Machinery and equipment

Most of the works involved in our foundation and civil engineering projects require the use of machinery. Our principal machineries include reverse circulation drill, crawler crane, hydraulic casing oscillator, hydraulic hammer and piling rig. We have been acquiring principal machineries which were mainly manufactured in Europe and Japan. Repair of our material machinery is usually carried out by third party maintenance specialists.

For FY2012, FY2013 and FY2014, we acquired new machinery in the amount of approximately HK\$3.3 million, HK\$9.9 million and HK\$24.8 million, respectively. As at 31 March 2014, our machinery had a total net book value of approximately HK\$32.5 million. After 31 March 2014 and up to the Latest Practicable Date, we acquired piling equipment which amounted to HK\$19.8 million and their acquisition were financed by way of finance lease and cash flow generated from our operations. We also ordered certain additional piling equipment for HK\$1.4 million which our Group intends to finance by way of cash flow generated from our operations or finance lease.

Market and competition

The construction industry in Hong Kong is consolidated, where a relatively small number of companies control a relatively large market share. According to the IPSOS Report, in 2012, there were about 22,300 construction companies in Hong Kong and about 97.8% of them were small- and medium-size companies. Others were large contractors which were recognised as market leaders. In 2013, the total gross output value of construction works performed by main contractors and sub-contractors at construction sites in Hong Kong was about HK\$135.2 billion. The total revenue of the top five players in the industry accounted for about HK\$64.4 billion, or 47.6% of such total gross output value. Our Group accounted for about 0.65% of the revenue of the construction industry in Hong Kong, and about 0.44%, 0.11% and 0.44% of foundation, civil engineering and general building segments in Hong Kong in 2013.

Taking into account the limits set out under the licensing regime in the public sector (please refer to the paragraph headed “Business — Market and competition” for more details) and the general market practice in the private sector, we consider that we are competing with contractors of similar scale to ours (as reference to the level of licences or qualifications they hold), rather than large contractors in the industry. For the ranking of contractors by licences in each segment, please refer to the paragraph headed “Industry Overview — Competitive analysis of construction industry in Hong Kong” in this prospectus.

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RISK FACTORS

There are certain risks involved in our operations and the Share Offer. Any risks and uncertainties could have a material adverse effect on our business, financial condition and results of operations, prospects or the trading price of our Shares. Some of the major risk factors in relation to our operations are set out below:

- Our Un Chau Street Building Project accounted for about 66% of our revenue in FY2014, bringing a high concentration of revenue in the general building segment of our Group
- Our projects in relation to foundation works are generally subject to different and greater risks in execution than those in relation to other segments
- We place heavy reliance on the use of machinery in our foundation projects
- We may damage underground services utilities or foundation of aged buildings adjacent to our construction sites when carrying out foundation works
- We estimate project duration and costs to determine the tender price, but the actual implementation of a project may not accord with such estimation. Delay in completion of any project which is due to our fault may result in liquidated damages payable by us
- We rely on a limited number of customers who do not have long-term commitment to us
- We did not concentrate on any particular segment of our three major business segments and we do not allocate resources to each of such segments equally. Our Group's historical results may not be indicative of our future revenue and profit
- Our revenue is mainly derived from construction projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers
- Our financial performance may be adversely affected if there are changes in the sub-contracting charges or construction materials costs after tendering or when there is material change in the project implementation timetable
- Our performance may be adversely affected by construction dispute or litigation

A detailed discussion of the risk factors is set forth in the section headed "Risk factors" in this prospectus. **You should read the "Risk factors" section in its entirety before you decide to invest in the Offer Shares.**

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

Selected information extracted from combined statements of profit or loss and comprehensive income and combined statements of financial position

	FY2012 <i>HK\$'000</i>	FY2013 <i>HK\$'000</i>	FY2014 <i>HK\$'000</i>
Turnover	190,858	230,425	463,021
Gross profit	19,839	36,907	85,169
Gross profit margin	10.4%	16.0%	18.4%
Profit before tax	15,961	27,526	60,929
Profit and the total comprehensive income for the year attributable to equity holders of the Company	13,566	23,014	50,603
Net profit margin	7.1%	10.0%	10.9%
	As at 31 March 2012 <i>HK\$'000</i>	As at 31 March 2013 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
Current assets	97,391	117,297	128,632
Non-current assets	7,998	16,138	33,888
Total assets	105,389	133,435	162,520
Current liabilities	47,172	56,831	81,640
Non-current liabilities	19,508	25,381	31,511
Total liabilities	66,680	82,212	113,151
Net assets	38,709	51,223	49,369

(Note)

Note: Our group declared and paid an interim dividend of HK\$15 million on 22 August 2014.

Key information extracted from combined statement of cash flows

	FY2012 <i>HK\$'000</i>	FY2013 <i>HK\$'000</i>	FY2014 <i>HK\$'000</i>
Net cash generated from operating activities	49,483	17,435	54,178
Net cash used in investing activities	(26)	(39,036)	(37,522)
Net cash used in financing activities	(375)	(153)	(6,168)
Net increase/(decrease) in cash and cash equivalents	49,082	(21,754)	10,488
Cash and cash equivalents at the end of the year	46,368	24,613	35,101

SUMMARY

Segment information

The following table sets forth a breakdown of our revenue and the respective gross profit margin by construction activities for the Track Record Period:

	FY2012		FY2013		FY2014	
	Revenue <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit margin %
Foundation	79,443	19.5	34,157	36.5	81,946	27.8
Civil engineering	108,747	2.9	98,102	4.0	65,149	3.8
General building	<u>2,668</u>	46.2	<u>98,166</u>	20.8	<u>315,926</u>	19.0
Total	<u><u>190,858</u></u>		<u><u>230,425</u></u>		<u><u>463,021</u></u>	

Our Group recorded an increasing trend of revenue during the Track Record Period. The increase was mainly attributable to the increase in project scale of the construction projects carried out by our Group. Revenue contribution from each business segment of our Group fluctuated year-on-year during the Track Record Period, as a result of the different types of construction works being awarded to and carried out by our Group during the respective periods. Generally, our Group has been developing all three business segments of our Group and has been participating (and will continue to participate) in the tendering for both public and private projects in respect of foundation, civil engineering and general building works. For details regarding our Group's tendering information, please refer to paragraph headed "Business — Operating procedures — Preparation and submission of tender documents" in this prospectus for further details.

SELECTED KEY FINANCIAL RATIOS

	FY2012	FY2013	FY2014
Current ratio (times)	2.1	2.1	1.6
Quick ratio (times)	2.1	2.1	1.6
Debt to equity ratio (%)	N/A	N/A	N/A
Gearing ratio (%)	N/A	14.8	31.1
Interest coverage ratio (times)	805.2	1,468.7	176.5
Return on assets (%)	12.9	17.2	31.1
Return on equity (%)	35.0	44.9	102.5

SUMMARY

For further details and explanation regarding the above table, please refer to the paragraph headed “Financial information — Key financial ratios” in this prospectus.

MATERIAL IMPACT AND SYSTEMIC NON-COMPLIANCE

There were certain non-compliances of our Group with the then applicable Companies Ordinance (Cap. 32 of the Laws of Hong Kong, prior to 3 March 2014), Air Pollution Control (Construction Dust) Regulation, Law 15/77M of the laws of Macau in relation to tax filing and FIU Ordinance. For more details, please see the paragraph headed “Business — Non-compliance” in this prospectus.

SHAREHOLDERS’ INFORMATION

Mr. Chu and BVI Holdco are our Controlling Shareholders. BVI Holdco will become interested in approximately 75% of our enlarged issued share capital upon completion of the Share Offer and the Capitalisation Issue (without taking into account the issue of Shares upon exercise of options which may be granted under the Share Option Scheme). As at the Latest Practicable Date, BVI Holdco was owned as to 75% by Mr. Chu and 25% by Mr. Kwan.

After Listing, Mr. Chu and his associates will be interested in certain continuing connected transactions, which relate to (i) the lease for the premises used by our Group as office; (ii) the financial assistance received by our Group from Mr. Chu; and (iii) the financial assistance provided by our Group to Mr. Chu. Particulars of such transactions are set out in the section headed “Continuing connected transactions” in this prospectus.

SHARE OFFER STATISTICS

Board lot:	4,000 Shares
Offering structure:	initially, 90% Placing and 10% Public Offer
Offer size:	Share Offer of 25% of the enlarged issued share capital of our Company, comprising 100,000,000 Offer Shares made up of (i) 10,000,000 Public Offer Shares for the Public Offer (subject to reallocation) and (ii) 90,000,000 Placing Shares for the Placing (subject to reallocation)

	Based on an Offer Price of HK\$0.75 per Share	Based on an Offer Price of HK\$0.90 per Share
Market capitalisation of our Shares at Listing	HK\$300 million	HK\$360 million
Unaudited pro forma adjusted (consolidated/ combined) net tangible asset per Share (<i>note</i>)	HK\$0.26	HK\$0.30

Note: Please see the unaudited pro forma financial information set out in Appendix II to this prospectus for further details regarding the assumptions used and the calculation methods.

SUMMARY

LISTING EXPENSES

The total estimated listing expenses (including underwriting commission, assuming an Offer Price of HK\$0.825 being the mid-point of the Offer Price range) in connection with the Share Offer are approximately HK\$25.4 million, of which:

- approximately HK\$4.5 million has been charged to our consolidated income statement for FY2014;
- approximately HK\$12.4 million is expected to be charged to our consolidated income statement for FY2015; and
- approximately HK\$8.5 million is expected to be capitalised as deferred expenses and charged against equity upon the Listing under the relevant accounting standards.

FUTURE PLANS AND USE OF PROCEEDS

For details of our future plans, please refer to the paragraph headed “Business — Business strategies and prospects”.

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK\$0.825, being the mid-point of the Offer Price range) will be approximately HK\$57.1 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately 82% or approximately HK\$46.8 million of the net proceeds for the acquisition of additional machinery and equipment for foundation works (including but not limited to hydraulic casing oscillator, hydraulic excavator, piling rig, hydraulic crawler crane and other foundation works equipment) in the next four years to increase our capacity to cope with our expected business growth;
- approximately 10% or approximately HK\$5.7 million of the net proceeds for the hiring of additional staff, including two project management staff (including project manager and engineer) and nine machinery operators to be hired to increase our capacity; and
- the remaining 8% or approximately HK\$4.6 million of the net proceeds will be used as general working capital of our Group.

The allocation of the above proceeds will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is fixed at HK\$0.90 per Share, being the high end of the stated Offer Price range, our net proceeds will be increased by approximately HK\$7.2 million to approximately HK\$64.3 million. In such circumstances, we currently intend to use such additional proceeds in the same proportions as set out above. If the Offer Price is fixed at

SUMMARY

HK\$0.75 per Share, being the low end of the stated Offer Price range, our net proceeds will be decreased by approximately HK\$7.2 million, to approximately HK\$49.9 million. Under such circumstances, we currently intend to reduce the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

DIVIDEND

During the Track Record Period, some members of our Group declared nil, HK\$10.5 million and HK\$52.5 million of dividend to our then shareholders respectively. Our Group also declared and paid an interim dividend of HK\$15 million on 22 August 2014. You should note that dividends declared in the past may not be indicative of our dividend policy in the future.

Any proposed distribution of dividends is subject to the discretion of our Board and (in certain circumstances) the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

RECENT DEVELOPMENT

Our Group recorded a revenue of approximately HK\$174.3 million for the four months ended 31 July 2014, representing a growth of 48.0% as compared to the corresponding period in FY2014. The substantial increase in revenue was attributable to the increase in number of projects carried out by our Group for the first four months of FY2015. Gross profit of our Group for the first four months of FY2015 also increased by 124.7% as compared to the corresponding period in FY2014. The increase was mainly due to the increase in revenue for reasons as explained above and the gross profit margin of our Group increased from 8.2% to 12.5%. The increase in gross profit margin was mainly attributable to the increase in profit margin of certain newly awarded foundation projects carried out by our Group for the first four months of FY2015. Comparing to our Group's gross profit margin for the entire year of FY2014, our Group's gross profit margin of 12.5% for the first four months of FY2015 represents a decrease as compared to the gross profit margin of 18.1% for the entire FY2014. Such decrease was primarily related to the fact that some of our projects with high profit margin were approaching to completion stage, where substantial works of those projects were completed in FY2014 and comparatively less works were carried out during the first four months of FY2015. As a result, revenue attributable to such high profit margin projects decreased. New projects which are estimated to record relatively high profit margin have only commenced recently, but having incurred certain preliminary expense of HK\$4.5 million and resulting in relatively low revenue attributable to those new projects. Thus, the gross profit margin of our Group in the first four months of FY2015 decreased as compared to the gross profit margin for the entire FY2014. The

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abovementioned unaudited financial information has been derived from the internal financial information of our Group, which has been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 “Review on Interim Financial Information Performed by the Independent Auditor of the Entity”.

For the purpose of our business expansion, after 31 March 2014 and up to the Latest Practicable Date, we acquired piling equipment which amounted to HK\$19.8 million and we financed such capital expenditure through finance lease and cash flow generated from our operations. We also ordered certain additional piling equipment amounted to HK\$1.4 million which our Group intends to finance by way of cash flow generated from our operations or finance lease.

As at the Latest Practicable Date, approximately 100% of the outstanding trade receivables as at 31 March 2014 were settled.

Subsequent to 31 March 2014 and up to the Latest Practicable Date, our Group entered into seven new contracts in relation to foundation works (namely, the Kwai Chung Project, the Oil Street Project, the Shek Mun Project, the Tseung Kwan O Composite Project, the Sai Kung Hotel Project, the Des Voeux Road West Project and the Tsuen Wan Project) and one new contract in relation to civil engineering works in Hong Kong (namely the Kau To Project) and six of them commenced construction before the Latest Practicable Date. The aggregate estimated contract sum of these eight new Major Projects amounted to approximately HK\$650.6 million.

As at the Latest Practicable Date, our Group had 18 Major Projects currently under progress, of which the Un Chau Street Building Project, the Kap Pin Long Project and the Wong Tai Sin Project have not been completed according to the original expected completion dates stated in the relevant contracts. We believe that our Group did not cause the delay of each of these projects and we have filed the relevant applications for time extension to the respective customers’ architect/consultant (of which all our time extension applications for the Un Chau Street Building Project have already been in principle agreed by the customer’s architect). In case that our prolongation claims for the Un Chau Street Building Project and/or our time extension applications for the Kap Pin Long Project and Wong Tai Sin Project are not accepted, (i) the maximum additional cost incurred by us for the Un Chau Street Building Project will be about HK\$2.7 million; (ii) the maximum liquidated damages payable by our Group for the Kap Pin Long Project will be less than HK\$500,000; and (iii) the maximum liquidated damages payable by our Group for the Wong Tai Sin Project will be less than HK\$700,000. For the Wong Tai Sin Project, on 22 August 2014, as agreed by the relevant customer’s consultant in writing, the completion date of the Wong Tai Sin Project will be extended to mid-September 2014, hence our Directors are of the view that we will not be subject to the abovementioned liquidated damages. For the Un Chau Street Building Project and the Kap Pin Long Project, as these sums are not significant, our Directors consider that even if we are not able to claim those costs and/or are liable for those liquidated damages as mentioned above, it will not cause

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material financial impact to our Group. For further details of the delay in completion of these projects, please refer to the paragraph headed “Business — Construction projects — Projects in progress based on information available as at the Latest Practicable Date” in this prospectus.

In addition, our Group’s financial performance for FY2015 will be adversely affected by the non-recurring expenses incurred in relation to the Listing. Our Group expects that listing expenses amounting to HK\$12.4 million will be charged to our consolidated income statement for FY2015. The said listing expenses are a current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Taking into account the listing expenses, our Directors consider that our Group’s financial performance will be adversely affected in FY2015. In particular, for the six months ending 30 September 2014, due to such listing expenses to be incurred, our Group’s financial results may be adversely affected.

On 22 August 2014, our Group declared and paid an interim dividend of HK\$15 million by our internal financial resources.

Save for the information as disclosed above, our Directors have confirmed that after performing all the due diligence work which our Directors consider appropriate, there has been no material adverse change in our financial or trading position or prospects since 31 March 2014 up to the Latest Practicable Date.

Our Directors have confirmed that there had been no event since 31 March 2014 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus. Our Directors have also confirmed that there has not been any material change in our indebtedness and contingent liabilities since 31 July 2014.

As far as our Directors are aware, there was no material change in the general conditions in the construction industry in the markets that our Group operated in that had affected or would affect our Group’s business operations or financial conditions materially and adversely.

Our Directors have also confirmed that there was no material change in respect of the market price the construction materials costs and sub-contracting charges after the Track Record Period.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the sections headed “Glossary of technical terms” and “Glossary of our Major Projects”.

“Affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE , YELLOW and GREEN application form(s), or where the context so requires, any one of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 26 August 2014 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“BVI 1”	New Expansion Global Ltd. (新展環球有限公司), a company incorporated in BVI on 25 March 2014 with limited liability, which is a direct wholly-owned subsidiary of our Company
“BVI 2”	New Expansion Holdings Ltd. (新展控股有限公司), a company incorporated in BVI on 25 March 2014 with limited liability, which is a direct wholly-owned subsidiary of our Company
“BVI Holdco”	Prosper Power Group Ltd. (昌威集團有限公司), a company incorporated in BVI on 21 March 2014 with limited liability and a Controlling Shareholder. It was owned as to 75% by Mr. Chu and 25% by Mr. Kwan as at the Latest Practicable Date
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time

DEFINITIONS

“Cap. 32 Companies (WUMP) 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
“Cap. 622 Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which became effective on 3 March 2014 (whose predecessor is the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, prior to its implementation on 3 March 2014), as amended, supplemented or otherwise modified from time to time
“Capitalisation Issue”	the issue of 299,990,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “A. Further information about our Company and our Group — 3. Written resolutions of our sole Shareholder passed on 26 August 2014” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	People’s Republic of China, which excludes for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“close associates”	has the meaning ascribed to it under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	New Concepts Holdings Limited (創業集團(控股)有限公司), an exempted company incorporated in the Cayman Islands on 3 April 2014 with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, collectively refers to BVI Holdco and Mr. Chu (who is the owner of 75% of the issued ordinary shares in BVI Holdco), and BVI Holdco held all the issued Shares as at the Latest Practicable Date
“Customer B”	a private property developer incorporated in Hong Kong on 6 March 1973 and the owner of the Un Chau Street Foundation and Basement Project and the Un Chau Street Building Project, who is an Independent Third Party. It was wholly owned by a company incorporated in the Republic of Panama as at the Latest Practicable Date
“Deed of Indemnity”	the deed of indemnity dated 26 August 2014 entered into between the Controlling Shareholders and our Company in favour of our Group in respect of taxation and other indemnities referred to in the paragraph headed “E. Other Information — 1. Tax and Other Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 26 August 2014 made by our Controlling Shareholders and Mr. Kwan in favour of our Group, which contains certain non-compete undertakings given in favour of our Group
“Director(s)”	director(s) of our Company
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Environmental Protection Department” or “EPD”	Environmental Protection Department of the Hong Kong Government
“FY2012”, “FY2013” and “FY2014”	each financial year ended 31 March 2012, 31 March 2013 and 31 March 2014, respectively
“FY2015”	the financial year ending 31 March 2015
“GDP”	gross domestic product
“Government” or “Hong Kong Government”	the government of Hong Kong
“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” or “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries and the businesses carried on by such subsidiaries or (as the case may be) their predecessors, the present subsidiaries of our Company, some or any of them at the relevant time
“HK eIPO White Form”	the application for issue of Public Offer Shares in the applicant’s own name by submitting applications online through the designed website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designed by our Company, as specified on the designated website at www.hkeipo.hk
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Housing Authority”	Hong Kong Housing Authority
“Independent Third Party(ies)”	individual(s) or a company(ies) who is (or are) not a connected person (within the meaning of the Listing Rules)
“INED(s)”	independent non-executive Director(s)
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“IPSOS”	IPSOS Hong Kong Limited, a market research company incorporated in Hong Kong on 21 August 1998 which is an Independent Third Party
“IPSOS Report”	an independent market research report in respect of the construction industry in Hong Kong, prepared by IPSOS commissioned by our Company
“Latest Practicable Date”	26 August 2014, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“Legal Counsel”	Mr. Lincoln CHEUNG and Ms. Anna M.W. CHOW, barristers-at-law advising on certain aspects of Hong Kong law relating to our Company’s operations, who are Independent Third Parties
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Lock-up Undertakings”	the undertakings in respect of disposal restriction made by our Controlling Shareholders and Mr. Kwan as set out in the section headed “Underwriting” in this prospectus

DEFINITIONS

“Macau”	the Macau Special Administrative Region of the PRC
“Major Project(s)”	construction project(s) undertaken by our Group with a contract sum (or, as the case may be, as amended by the relevant parties) of HK\$0.5 million or above
“MOP”	Macau Pataca, the lawful currency for the time being of Macau
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 3 April 2014, as amended from time to time
“Mr. Chu”	Mr. Chu Shu Cheong (朱樹昌), one of our Controlling Shareholders and an executive Director as at the Latest Practicable Date
“Mr. Kwan”	Mr. Kwan Man Hay (關萬禧), a substantial Shareholder and an executive Director as at the Latest Practicable Date
“NAV”	net asset value
“NC Construction”	New Concepts Construction Company Limited, a company with limited liability incorporated in Macau on 20 April 2006 and indirectly owned by Mr. Chu as to 99.99% immediately before its dissolution on 31 March 2014 made by way of shareholders’ resolution passed
“NC Engineering”	New Concepts Engineering Development Limited (創業工程建設有限公司), a company with limited liability incorporated in Hong Kong on 30 July 1996, which is an indirect wholly-owned subsidiary of our Company
“NC Foundation”	New Concepts Foundation Limited (創業地基有限公司), a company with limited liability incorporated in Hong Kong on 10 September 1997, which is an indirect wholly-owned subsidiary of our Company
“NC International”	New Concepts Holdings (International) Limited (創業集團(國際)有限公司), a company incorporated in Hong Kong with limited liability on 16 February 1998, which was wholly-owned by Mr. Chu as at the Latest Practicable Date and does not form part of our Group. NC International is a connected person of our Company under the Listing Rules

DEFINITIONS

“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Public Offer Shares are to be subscribed under the Public Offer and the Placing Shares are to be offered under the Placing, to be determined in the manner further described in the section headed “Structure of the Share Offer” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares together, where relevant
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price, with professional, institutional and private investors as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 90,000,000 new Shares initially offered for subscription under the Placing, subject to adjustment as described in the section headed “Structure 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
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date, between our Company, the covenantors to be named therein (namely, our Controlling Shareholders and executive Directors), the Sole Sponsor, the Sole Coordinator and the Placing Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between us and the Sole Coordinator on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 11 September 2014, on which the Offer Price is expected to be fixed for the purpose of the Share Offer and, in any event, no later than 13 September 2014
“Public Offer”	the conditional offer of the Public Offer Shares by our Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the Application Forms

DEFINITIONS

“Public Offer Shares”	the 10,000,000 new Shares initially offered for subscription under the Public Offer, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, whose names are set out in the paragraph headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 3 September 2014 relating to the Public Offer entered into by our Company, the covenantors named therein (namely, our Controlling Shareholders and executive Directors), the Sole Sponsor, the Sole Coordinator and the Public Offer Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the United States Securities Act of 1933, as amended
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the paragraph headed “A. Further information about our Company and our Group — 4. Corporate reorganisation” in Appendix IV to this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraph under “A. Further information about our Company and our Group — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	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) of HK\$0.10 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 26 August 2014, the principal terms of which are summarised under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Sole Coordinator”, “Sole Bookrunner” or “Sole Lead Manager”	Halcyon Securities Limited, a corporation licenced under the SFO and permitted to carry on Type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities, acting as the sole coordinator, the sole bookrunner and the sole lead manager of the Share Offer
“Sole Sponsor”	Halcyon Capital Limited, a corporation licenced under the SFO and permitted to carry on type 6 (advising on corporate finance) regulated activities, acting as the sole sponsor to our Company’s application for the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Cap. 622 Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	collectively, FY2012, FY2013 and FY2014 and, unless otherwise specified, in the said order
“Un Chau Street Building Project”	the general building project at 386–408 Un Chau Street, Sham Shui Po, Hong Kong undertaken by our Group as main contractor, which was in progress as at the Latest Practicable Date. Please refer to the section headed “Glossary of our Major Projects” for further details
“Un Chau Street Foundation and Basement Project”	the foundation and basement building project at 384–408 Un Chau Street, Sham Shui Po, Hong Kong undertaken by our Group as main contractor, which was completed during the Track Record Period. Please refer to the section headed “Glossary of our Major Projects” for further details
“Un Chau Street Projects”	collectively, the Un Chau Street Foundation and Basement Project and the Un Chau Street Building Project
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters

DEFINITIONS

“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“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 applicant’s or applicants’ own name(s)
“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
“sq.ft.” or “ft²”	square foot (feet)
“sq.m.” or “m²”	square metre(s)
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“%”	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

“alterations and additions”	alteration and addition works, which refer to building works that are done on an existing building, for example, constructing a new extension block, adding additional floors, combining two or more units into one by removing the partition walls, subdividing a unit into smaller units, adding water tanks, structural frames for air-conditioning or other plant and machinery
“Approved Contractors List(s)”	collectively, the Approved Public Works Contractors List and the Approved Specialist List
“Approved Public Works Contractors List”	List of Approved Contractors for Public Works as kept by the Development Bureau
“Approved Specialist List”	List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
“Authorised Signatory”	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance
“Building Authority”	Building Authority of Hong Kong
“Buildings Department”	Buildings Department of the Hong Kong Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“CEDD”	Civil Engineering & Development Department of the Hong Kong Government
“civil engineering”	the design and/or construction of structures, infrastructures, airports, roads and railways, bridges and tunnels; utilities installations; geotechnical and underground works; marine power stations, industrial plants, and refineries (all excluding major electrical and mechanical works); public amenities and facilities with structural or the aforementioned content. Excluded from “civil engineering” are residential, public and office buildings and public amenities and facilities which are largely architecturally driven
“Development Bureau”	Development Bureau of the Hong Kong Government

GLOSSARY OF TECHNICAL TERMS

“Environment Impact Assessment Ordinance” or “EIA Ordinance”	the Environment Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“FIU Ordinance”	Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“foundation works”	foundation works mainly include bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap works. For further technical information of foundation works, please refer to Appendix V to this prospectus
“general building works”	general building works which mainly involve engineering construction of substructure and superstructure of building structural frames and external building envelopes either by reinforced concrete facades, curtain walling, metal cladding and/or marble facades with external architectural features, fins and sun-breakers. It also includes the provision to buildings with internal fitting-out works, interior decoration works and accommodation facilities such as provisions of building services, electrical and mechanical installation, plumbing and drainage discharge systems, external hard and soft landscaping works, underground utilities services and community services
“HKCAS”	the Hong Kong Certification Body Accreditation Scheme
“IMS”	integrated management system, a management system which integrates all components of our Group’s business into a coherent system, in areas relating to quality, health and safety, environment, personnel, finance and security
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
“ISO 14001”	environmental management system requirements published by ISO
“ISO 50001”	energy management system requirements published by ISO

GLOSSARY OF TECHNICAL TERMS

“Labour Department”	the Labour Department of the Hong Kong Government
“large diameter bored pile(s)” or “bored pile(s)”	a type of larger size of pile formed by excavating or boring a hole in the ground and subsequently filling it with plain or reinforced concrete
“LPM”	landslip preventive/remedial works to slopes/retaining walls
“main contractor”	in respect of a construction project, a contractor appointed by the project employer’s construction consultant, who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other contractors
“mini-pile(s)”	a type of piles which consist of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400 mm in diameter
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“percussive piling(s)” or “driven H-piling(s)” or “steel H-pile(s)”	a type of pile formed by driving, brief details of which are set out in Appendix V to this prospectus
“pile cap”	a reinforced concrete structure constructed on top of the pile, which is used to transfer the superstructure load to the pile
“registered contractor”	a contractor which is on the List of Registered Contractors maintained by the Buildings Department
“socketed H-pile(s)” or “rock socketed steel H-pile(s) in pre-bored hole”	a type of pile formed by drilling holes on the ground and then insert a prefabricated steel H-pile into the borehole and subsequently grouting the hole with cementitious materials
“sub-contractor”	in respect of a construction project, a sub-contractor appointed by the main contractor or another sub-contractor involved in the construction, who generally carries out specific work tasks of the construction
“superstructure(s)”	the structure which is above ground

GLOSSARY OF TECHNICAL TERMS

“Technical Director(s)” in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance

“WBDB” Works Branch of the Development Bureau

GLOSSARY OF OUR MAJOR PROJECTS

The following shows the names and related details of our Major Projects carried out on or after the commencement date of the Track Record Period:

Name of project	Location	Sector of our customer (Note 1)	Main category of works (Note 2)	Main types of works
“Central Slopes Project”	Central and Western District	Public	Civil engineering	LPM
“Des Voeux Road West Project”	307–329 Des Voeux Road West, Sai Ying Pun	Private	Foundation	Construction of bored piles, excavation and lateral support and pile cap works
“Harbour Area (North HK) Project”	North Point, Wan Chai East and Central	Private	Foundation	Construction of socketed H-piles
“Harbour Area (South HK) Project”	Sandy Bay, Cyberport, Wah Fu, Aberdeen and Ap Lei Chau	Private	Foundation	Construction of socketed H-piles
“Hung Hom Project”	Junction of Hung Luen Road and Oi King Street, Hung Hom, Kowloon	Private	Foundation	Construction of mini-piles
“Kai Tak Project”	Kai Tak Cruise Terminal, Kowloon	Private	Foundation	Construction of tubular steel piles
“Kap Pin Long Project”	Po Lo Che Road, Kap Pin Long, Sai Kung, New Territories	Private	Foundation	Construction of socketed H-piles and soldier piles
“Kau To Project”	Sha Tin Town Lot No. 563, Area 56A, Kau To, Sha Tin, New Territories	Private	Civil engineering	Site formation works and construction of pipe piles and footings
“Kwai Chung Project”	16–18 Yip Shing Street, Kwai Chung	Private	Foundation	Construction of bored piles
“Macau Project”	Avenida Dr. Sun Yat Sen, NAPE, Macau	Private	Foundation	Construction of bored piles
“MacDonnell Road Project”	No. 3 MacDonnell Road, Mid-levels	Private	General building	Construction of soldier piles and basement and building works
“NT Slopes Project”	Western and Northern New Territories	Public	Civil engineering	LPM
“Oil Street Project”	Oil Street, North Point	Private	Foundation	Excavation and lateral support and pile cap works

GLOSSARY OF OUR MAJOR PROJECTS

Name of project	Location	Sector of our customer (Note 1)	Main category of works (Note 2)	Main types of works
“Sai Kung Hotel Project”	Wai Man Road, Sai Kung, New Territories	Private	Foundation	Construction of socketed H-piles and pipe piles and associated works
“Sha Tin Slopes Project”	Sha Tin, Tai Po and Tsuen Wan, New Territories	Public	Civil engineering	LPM
“Shek Mun Project”	On Kwan Street, Shek Mun, Sha Tin, New Territories	Private	Foundation	Curtain grout and pump test works
“To Kwa Wan Project”	2 Tin Kwong Road, To Kwa Wan, Kowloon	Private	Civil engineering	LPM
“Tong Yin Lane Project”	Tong Yin Lane, Tseung Kwan O, Kowloon	Private	Foundation	Construction of socketed H-piles
“Trio Beach Project”	Trio Beach, Sai Kung, New Territories	Private	Foundation	Construction of socketed H-piles
“Tse Uk Tsuen Project”	Tse Uk Tsuen to Shek Yam Estate Tunnels, New Territories	Private	Foundation	Construction of socketed H pile
“Tseng Choi Street Project”	29 Tseng Choi Street, Tuen Mun, New Territories	Private	General building	Structural and building (alterations and additions) works
“Tseung Kwan O Composite Project”	Town Lot No. 95, Tseung Kwan O, Kowloon	Private	Foundation	Construction of bored piles, excavation and lateral support and pile cap works
“Tseung Kwan O Project”	Town Lot No. 117 Tseung Kwan O, Kowloon	Private	Foundation	Excavation and lateral support and underground drainage works
“Tsing Wun Road Project”	Tsing Wun Road, Tuen Mun; Po Kong Village Road and Fung Tak Road, Wong Tai Sin; Lai Chi Kok Road, Lai Chi Kok; Chak On Street, Shek Kip Mei; Harbour Road, Wan Chai	Private	Foundation	Construction of mini-piles

GLOSSARY OF OUR MAJOR PROJECTS

Name of project	Location	Sector of our customer <i>(Note 1)</i>	Main category of works <i>(Note 2)</i>	Main types of works
“Tsing Yi Project”	Chung Mei Road, Tsing Yi, New Territories	Private	Foundation	Excavation and lateral support and underground drainage works
“Tsuen Wan Project”	Tsuen Wan West Rail Station, Tsuen Wan Town Lot No. 402, New Territories	Private	Foundation	Construction of grout curtain and dewatering well works
“Tuen Mun Road Project”	Tuen Mun Road Bus-Bus Interchange, Tuen Mun, New Territories	Private	Foundation	Construction of socketed H-piles and mini-piles
“Tung Chung Project”	Cheung Tung Road adjacent to North Lantau Highway, Tung Chung, Lantau Island	Public	Civil engineering	LPM
“Un Chau Street Building Project”	386–408 Un Chau Street, Sham Shui Po, Kowloon	Private	General building	Construction of a 30-storey residential building (without taking account of the basement)
“Un Chau Street Foundation and Basement Project”	384–408 Un Chau Street, Sham Shui Po, Kowloon	Private	Foundation and general building	Design and construction of large diameter bored piles, basement structure and associated works
“Wanchai Road Project”	No. 101–111 Wanchai Road, Wan Chai	Private	Foundation	Excavation and pile cap works
“Wong Chuk Hang Road Project”	Across Wong Chuk Hang Road near Yip Kan Street, Wong Chuk Hang; across Leighton Road and Irving Street, Causeway Bay; across Tuen Mun Road near Tsing To Path, Tuen Mun; Pak Wo Road near Fung Ying Sin Koon, Fanling, New Territories	Private	Foundation	Construction of mini-piles
“Wong Tai Sin Project”	Tsz Wan Shan, Wong Tai Sin, Kowloon	Public	Civil engineering	LPM

GLOSSARY OF OUR MAJOR PROJECTS

Name of project	Location	Sector of our customer <i>(Note 1)</i>	Main category of works <i>(Note 2)</i>	Main types of works
“Yuen Long Project”	On Ning Road, Tai Kiu Road and Yuen Long On Lok Road, Yuen Long, New Territories	Private	Foundation	Site formation, excavation and lateral support and pile cap works

Notes:

1. This refers to the sector (i.e. public or private) to which our customer (i.e. the counterparty who signed the relevant contract with our Group) belongs.
2. Types of works are based on the segments as classified in the financial statements of our Group.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us 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 “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s 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 business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory environment and general outlook in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our suppliers and competitors;
- the other factors that are described in the section headed “Risk factors” in this prospectus; and
- certain statements in the section headed “Financial information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

We do not intend to update these forward-looking statements in addition to on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Accordingly, you 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.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company.

RISKS RELATING TO OUR UN CHAU STREET BUILDING PROJECT SPECIFICALLY

Our Un Chau Street Building Project accounted for about 66% of our revenue in FY2014, bringing a high concentration of revenue in the general building segment of our Group

During the Track Record Period, our Group took up the Un Chau Street Building Project, a private residential building project which was in progress as at the Latest Practicable Date. The revenue generated from the Un Chau Street Building Project (without taking into account the Un Chau Street Foundation and Basement Project) in FY2014 was about HK\$306.4 million, representing about 66.2% of our total revenue in that year. The aggregate revenue attributable to such project (without taking into account the Un Chau Street Foundation and Basement Project) for the entire Track Record Period amounted to about HK\$363.9 million, and represents about 41.2% of our Group's aggregate revenue for the three years of our Track Record Period. However, the Un Chau Street Building Project is a one-off project, and is not recurrent in nature. We may not be able to enter into construction projects with similar scale and contract sum, thus generating similar level of revenue in the future.

RISKS RELATING TO OUR FOUNDATION BUSINESS SPECIFICALLY

Our projects in relation to foundation works are generally subject to different and greater risks in execution than those in relation to other segments

During the Track Record Period, our Group took up 22 Major Projects in relation to foundation works. Generally, ground investigation has to be conducted before the commencement of foundation projects. Our customers may supply us with ground investigation report or otherwise, our Group or our customer usually engages external experts to prepare ground investigation report. However, because of the nature of underground investigation works and the limited scope in the related investigation works, these reports may not always be able to provide full details of the actual geological information of the relevant site. Thus, our Group is more likely to encounter uncertainties when carrying out foundation works. For example, soil conditions may be unexpectedly different from the findings of the investigation reports, which may require use of piling equipment different from the original plan. Also, as there will only be a limited number of sample holes being drilled and investigated in the construction site, the investigation may not be able to reveal the existence of rocks or other geological conditions in between the sample holes. Further, ground investigation will only examine the underground geological condition, it will not be able to identify any antiquities or monuments existing under the site. All these may adversely affect the work schedule, hence additional costs and/or liability for damages arising from delay in completion.

RISK FACTORS

In contrast, for projects in relation to civil engineering or general building works, since most of the works are performed above ground, there are less uncertainties in such respects in the execution of works.

We place heavy reliance on the use of machinery in our foundation projects

Most of the works involved in our foundation projects require the use of machinery such as oscillator, crawler crane and reversed circulation drill. They are limited in supply in the market as compared to those equipment used in general construction works. If there is unexpected breakdown of our machinery during the construction process of projects, repair of machinery takes time and (if repair is not feasible) we may face difficulties in sourcing replacements within a short time. Our work progress may be delayed which may result in liquidated damages being payable by us.

The maintenance and repair of our machinery also rely heavily on the quality of service of the third party maintenance specialists to which we outsource maintenance and repair services. If there is any failure of operation of our machinery arising from the maintenance and repair services rendered by these specialists or any loss of service of any of the experienced members of their maintenance team, our operation and business may be adversely affected.

We may damage underground services utilities or foundation of aged buildings adjacent to our construction sites when carrying out foundation works

In Hong Kong, many services utilities are laid underground or below carriageways and footways. For instance, fresh and flush water mains, gas mains, electric cables, and telephone cables. We may encounter those service utilities when we carry out foundation works. We cannot assure that damage to those utilities will not occur during our construction. Accordingly, we may be liable to the costs for the repair of any damaged service utilities, and may even be subject to criminal liability under relevant laws and regulations.

In addition, there may be foundation of aged buildings adjacent to our construction sites. They may be damaged during our excavation works or piling works which may affect the underground condition. If any investigation is carried out by the relevant authorities, we may even be required to amend our construction plan. All of these may lead to increase in our construction cost and delay in work progress which may result in liquidated damages being payable by us.

RISKS RELATING TO OUR CONSTRUCTION BUSINESS IN GENERAL

We estimate project duration and costs to determine the tender price, but the actual implementation of a project may not accord with such estimation. Delay in completion of any project which is due to our fault may result in liquidated damages being payable by us

Construction contracts are normally awarded through competitive tendering process. We determine a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. There is no assurance that the

RISK FACTORS

actual construction time and costs would not exceed our estimation during the actual implementation of the project. We currently generate, and expect to continue to generate, a portion of our revenues from fixed-price contracts. Our Group entered into some fixed price contracts during the Track Record Period. Under fixed-price contracts, we are required to complete a project at a fixed price, and may thereby be subject to cost overruns. Cost overruns may arise because of inefficiency, inaccurate estimates or other factors. They will result in lower profit or even a loss for a project. As a result, we will only realise profits on these fixed-price contracts if we, to a substantial extent, accurately estimate our project costs and technical difficulties and avoid cost overruns.

Many factors affect the time taken and the costs actually involved in completing construction projects undertaken by us. For instance, shortage and cost escalation of materials and labour, difficult geological conditions, adverse weather conditions, additional variations to the construction plans requested by customers, technical construction requirements, disputes with sub-contractors, accidents, and changes in the Hong Kong Government's priorities. Unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises, completion of construction works may be delayed or we may be subject to cost overruns or customers may even unilaterally terminate our contract.

Some of our contracts contain specific completion schedule requirements and liquidated damages provisions (i.e. we may have to pay the customer liquidated damages if we do not meet the schedules). Liquidated damages are typically levied at an agreed rate for each day of delay that is owing to our default. Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit expected from the relevant contracts. During the Track Record Period, save as disclosed in the paragraph headed "Business — Construction projects — Projects in progress based on information available as at the Latest Practicable Date — Delay in construction progress of the Un Chau Street Building Project" in this prospectus, our Company has not experienced any delay in completion of any projects.

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

RISK FACTORS

We rely on a limited number of customers who do not have long-term commitment to us

We relied on a limited number of customers during the Track Record Period and as at the Latest Practicable Date. During the Track Record Period, our revenue was attributable to nine, four and 11 customers respectively, a majority of whom were our customers for two or more financial years. For the same period, revenue from the top five customers of our construction business amounted to approximately HK\$184.0 million, HK\$230.4 million and HK\$445.4 million respectively, representing approximately 96.4%, 100% and 96.2% of our total revenue respectively.

Our results of operations in relation to our construction business will continue to depend on the following: (i) our ability to continue to secure projects from our customers and new customers; (ii) the financial conditions and commercial success of our customers; and (iii) other factors that generally affect the Hong Kong construction industry. We cannot assure that we will be able to maintain or improve our relationships with our major customers. Any material delay, termination or reduction of number or contract value of projects obtained from customers may adversely affect our revenue, hence our results of operations.

In addition, our major customers of our business are contract-based and do not have long-term commitment with us. Our relationships with our major customers are non-exclusive and largely dependent on goodwill. There is no assurance that we will be able to diversify the composition of our customer base. If any major customer materially reduces, delays or terminates its projects with us, we may not be able to secure projects on similar terms in a timely manner from other customers. If any such event occurs, there may be a material adverse effect on our business, financial condition and/or results of operations.

We did not concentrate on any particular segment of our three major business segments and we do not allocate resources to each of such segments equally. Our Group's historical results may not be indicative of our future revenue and profit

For FY2012, FY2013 and FY2014, our revenue amounted to approximately HK\$190.9 million, HK\$230.4 million and HK\$463.0 million respectively. For the same period, our net profit amounted to approximately HK\$13.6 million, HK\$23.0 million and HK\$50.6 million respectively. Besides, our Group did not and will not concentrate on a particular segment, nor allocate resources in strictly equal proportion to each of these three segments. For FY2012, FY2013 and FY2014, as disclosed in the table in the paragraph headed “Business — Overview — Principal business activities” of this prospectus, revenue generated from each of the three segments of our Group fluctuated during the Track Record Period.

Such trend of historical financial information of our Group is a mere analysis of our past performance only. It does not have any positive implication, nor may it necessarily reflect our financial performance in the future, which will largely depend on our capability to secure new contracts and control our costs and expenditures and project implementation. Profit margins and income of our Group's construction projects may fluctuate from project to project, and the historical revenue from our construction projects may not be indicative of our future revenue or profitability.

RISK FACTORS

Our revenue is mainly derived from construction projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers

During the Track Record Period, most of our revenue was derived from construction projects with the Hong Kong government or private developers in Hong Kong. As at the Latest Practicable Date, we had 18 Major Projects in progress. There is no guarantee that we will be able to secure new contracts with existing customers or seek new customers. If any such event occurs, our future revenue and future profit will be adversely affected.

Our financial performance may be adversely affected if there are changes in the sub-contracting charges or construction materials costs after tendering or when there is material change in the project implementation timetable

Sub-contracting charges and construction materials costs represent a significant portion of our cost of sales. During the Track Record Period, (i) sub-contracting charges amounted to approximately HK\$152.0 million, HK\$151.9 million and HK\$328.8 million respectively (representing about 88.9%, 78.5% and 87.0% of our cost of sales respectively); and (ii) construction materials costs amounted to approximately HK\$6.6 million, HK\$21.6 million and HK\$25.4 million respectively (representing about 3.9%, 11.2% and 6.7% of our cost of sales respectively).

For projects without pre-bid agreements made with our sub-contractors or suppliers of materials, we prepare tenders based on our estimated project costs (which mainly include sub-contracting charges and construction material costs) plus a mark-up margin. However, the related actual sub-contracting costs and material costs will not be determined, either until after we enter into agreements with our customers or when those costs are fixed and pre-agreed between the sub-contractors or suppliers and us during the tender preparation stage. Any material fluctuations in such charges or costs during this period may affect our profitability.

RISK FACTORS

The following sensitivity analyses illustrate the impact of hypothetical fluctuations in sub-contracting charges and direct materials on our profit for the periods of our Group indicated with all other factors assuming unchanged. According to the IPSOS Report, our Group's major costs include costs of labour and raw materials. Such major costs of our Group recorded a CAGR during the period between 2009 and 2013 ranging from 2.2% to 4.8%. For prudence sake, our Group adopted a hypothetical fluctuation of 5% and 10% in performing the sensitivity analyses below:

Hypothetical fluctuations in sub-contracting charges and direct materials	-10%	-5%	+ 5%	+ 10%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in sub-contracting charges				
FY2012	(15,197)	(7,599)	7,599	15,197
FY2013	(15,190)	(7,595)	7,595	15,190
FY2014	(32,879)	(16,440)	16,440	32,879
Change in direct materials				
FY2012	(663)	(332)	332	663
FY2013	(2,159)	(1,079)	1,079	2,159
FY2014	(2,537)	(1,269)	1,269	2,537
Change in profit for the year of our Group				
FY2012	15,860	7,931	(7,931)	(15,860)
FY2013	17,349	8,674	(8,674)	(17,349)
FY2014	35,416	17,709	(17,709)	(35,416)

Our performance may be adversely affected by construction dispute or litigation

We may be in dispute with our customers, sub-contractors, workers and other parties concerned with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the sections headed "Business — Litigation and potential claims" and "Financial Information" in this prospectus for further information on the disputes or litigation we encountered during the Track Record Period.

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

In addition, the outcomes of legal proceedings or disputes are influenced by (among other factors) negotiation skills, knowledge and judgment of our management. Our Group to a large extent relies on the relevant expertise and qualification of our management

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(including our executive Directors) in dealing with contractual disputes, litigation and arbitration. For the background of our executive Directors and our senior management, please refer to the section headed “Directors, senior management and employees” in this prospectus for more information.

Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from sub-contractors, our financial position may be adversely affected.

If progress payment or retention money is not paid to us on time and in full, our liquidity position may be adversely affected

We normally receive progress payment from our customers, either from the main contractor when we act as a sub-contractor, or from the employer where we act as a main contractor. Progress payment is generally made monthly by reference to the value of works done in that month. A portion of contract value (which generally is subject to a maximum of 5% of the total contract value) is usually withheld by our customers as retention money. Please refer to the paragraph headed “Business — Operating procedures — Inspection, rectification (if any) and application for payment and certification — Progress payment and retention money” in this prospectus for further details. As at 31 March 2012, 2013 and 2014 and as at 31 July 2014, retention receivables of approximately HK\$11.8 million, HK\$13.2 million, HK\$29.2 million and HK\$35.9 million respectively were retained by our customers.

There is no assurance that progress payment will always be paid to us on time and in full, or the retention money or any future retention money will be paid by our customers to us on a timely basis and in full. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

Contract fees may not be paid to us on time or recovered by us in full

From time to time, we act as sub-contractor in some of our projects. Under such circumstances, the main contractor will normally be paid by the employer directly. Payment from the main contractor to us may be affected by the progress of the whole project and the creditworthiness of the main contractor. There is no assurance that the main contractor will receive the contracting fees from the employer, and in turn pay us the sub-contracting fees on time or at all. If we are unable to recover our sub-contracting fees on a timely basis, our cash flow and financial performance will be adversely affected.

For other construction projects, we may also act as main contractor where we are directly responsible to the employer for the whole project. Under such circumstances, the employer will pay contract fees to us directly. Payment from the employer may be affected by the progress of the project and the creditworthiness of the employer. In addition, some employers may be shell companies or single purpose vehicles that and it may be difficult for us to conduct credit check against them and thus their creditworthiness is uncertain. It is possible that an employer will not pay such fees to us on time or at all. If we are unable to recover our contract fees, our cash flow and financial performance in the future will be adversely affected.

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Further, as at the Latest Practicable Date, some of our five largest customers during the Track Record Period were involved in litigation and/or charges which, if determined against them, may adversely affect the customers' financial capability and their payment to us.

Cash flows in connection with construction projects may fluctuate

In a typical construction project, net cash outflows are normally recorded at the early stage of works when we are required to pay certain set-up expenditures. Progress payments will be paid after our construction works commence and are certified by our customers (or authorised persons employed by them). Accordingly, the cash flows for a particular project will turn into cumulative net inflows gradually as the construction works progress. Please see the paragraph headed "Business — Operating procedures" in this prospectus for more information.

If during any particular period of time, we start too many significant projects which require substantial initial set-up costs while we have significantly less cash inflows from other projects, our cash flow position may be adversely affected.

The price of our variation works may not be clearly determined

In the course of project implementation, our customers may give "variation orders" to us and request us to alter the scope of works or perform additional works on top of the terms and scope of the original construction contracts. The terms of these "variation orders" are agreed between our Group and the surveyor authorised by the customer in accordance with (among others) the following principle: any additional work carried out which is the same as or similar in character to (and executed under the same or similar conditions and circumstances to) any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work. If our Group and the surveyor authorised by the customer fail to reach agreement on the rate at which the variation works are determined, the surveyor authorised by the customer has the right to fix the rate as shall in his opinion be reasonable.

If our Group disagrees on the rates fixed by such surveyor, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

We rely on sub-contractors to help complete some of our construction projects, and their performance will affect us to a large extent

In line with the usual practice of the construction industry in Hong Kong, we do not maintain a large workforce of skilled labour in different specialised areas and semi-skilled labour. To maximise our cost efficiency and flexibility, and to utilise the expertise of other properly qualified specialist contractors, we sometimes engage third party sub-contractors to perform a portion of the works under our contracts. During the Track Record Period, our five largest sub-contractors accounted for approximately 97.4%, 98.3% and 80.6% of our total sub-contracting charges for each of FY2012, FY2013 and FY2014 respectively.

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Sometimes, we may not be able to monitor the performance of these sub-contractors as directly and efficiently as with our own staff. In addition, our inability to hire qualified sub-contractors could hinder our ability to complete a project successfully.

Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by sub-contractors or third parties. Accordingly, we may experience deterioration in the quality or delivery of our construction projects. We may also incur additional costs due to the delays or at a higher price in sourcing the services, equipment or supplies in default. We may be subject to liability under the relevant contract for our sub-contractor's performance. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims.

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

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

Further, in order to keep our presence and activeness in the market, it is our general policy to submit tender proposals when invited to do so. Sometimes we may be awarded several projects which may be carried out concurrently. If, at the project implementation stage, we encounter resource shortage to perform the works of all the projects by ourselves, we will engage sub-contractors to perform some of those works. Such arrangement may result in lower profit margin, but we will still be exposed to the above outsourcing risks. During the Track Record Period, we had four of such kind of construction projects (having gross profit margin of less than 1%).

Shortage of labour may affect our projects and our performance

Some of our construction works (in particular, general building works) are generally labour intensive. For any given project, a large number of workers from various disciplines with different skills may be required. Particularly, our Un Chau Street Building Project is a

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general building works project and thus labour intensive in nature. In FY2014, this project accounted for about 66% of our revenue and incurred direct labour costs of about HK\$0.6 million and sub-contracting costs of about HK\$223.5 million (among about 50% of which was the direct labour costs of our sub-contractors, to the understanding of our Directors). Apart from the ongoing MacDonnell Road Project, we expect to take up more general building works projects in the future.

There is no assurance that the supply of labour and average labour costs will be stable. All labour intensive projects are more susceptible to labour shortage, and our sub-contracting costs include the labour costs of our sub-contractors. If there is a significant increase in the costs of labour and we have to retain our labour (or our sub-contractors retain their labour) by increasing their wages, our staff cost and/or sub-contracting cost will increase and thus lower our profitability. On the other hand, if we or our sub-contractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages and/or incur loss.

We depend on key management personnel

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors are important to us. If any of these executive Directors cease to be involved in the management of the Group in the future and our Group is unable to find suitable replacements in a timely manner, there could be an adverse impact on our business, results of operation and profitability of our Group.

We are exposed to claims arising from latent defects liability

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

We are subject to certain types of liabilities that are generally not insured

Save for liabilities arising from personal injuries claims which are normally covered by employees' compensation insurance, certain types of liabilities (such as liabilities from negligent claims under common law, acts of God or other natural disasters) are generally not insured because they are either uninsurable or it is not cost justifiable to insure against certain risks. If an uninsured liability arises, we may suffer losses which may affect our financial position adversely.

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We are subject to environmental liability

Our business in Hong Kong is subject to the environmental regulations and guidelines issued by the Hong Kong Government, which apply to the operation of all construction projects in Hong Kong. Such regulations and guidelines may be revised by the Hong Kong Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines can increase our cost and burden in complying with them.

We are subject to interest rate risk

We did not have any finance lease liability for FY2012, and had finance lease liabilities of approximately HK\$7.6 million and HK\$15.3 million as at 31 March 2013 and 2014 respectively. We did not have any bank borrowings during the Track Record Period. The finance lease liabilities carry floating interest rate. Our Group is subject to cash flow interest rate risk, which is partially offset by cash held at variable interest rates. During the Track Record Period, the finance leases carried interest rate at 3% to 3.25% per annum. During the Track Record Period and up to the Latest Practicable Date, our Group did not hedge such cash flow interest rate risks.

Industrial actions or strikes may affect our business

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

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

In the course of our operations, we require our employees to adhere to and implement all the safety measures and procedures as stipulated in our work and safety manual. We generally monitor and supervise closely our employees in the implementation of all such safety measures and procedures during execution of works. However, we cannot guarantee that our employees or those of our sub-contractors will not violate applicable rules, laws or regulations. If any such employees fail to implement safety measures at our construction sites, personal injuries, property damage or fatal accidents may occur in greater number and/or to a serious extent. These may adversely affect the financial position of our Group to the extent not covered by our insurance policy. They may also cause our relevant licences to be suspended or not renewed.

Furthermore, public project tenders are generally evaluated by taking into account a number of factors, which includes but not limited to the contractor's compliance records with the relevant laws and regulations. We may also be subject to investigations by the

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relevant Government departments (e.g. Labour Department) from time to time. Sometimes, we may not be aware of such investigations being conducted. These investigations may or may not lead to formal charge(s) against our Group. From the date of incorporation of NC Engineering to 31 March 2014, our Group had several incidents of non-compliance with certain regulatory requirements. Please see the paragraph headed “Business — Non-compliance” in this prospectus for further details. Non-compliance and conviction records may affect our probability of being awarded tenders. Any delays in our completing construction works may also be taken into consideration by the Hong Kong Government and thus will have impact on our winning future bids.

Claims in connection with employees’ compensation or personal injuries may arise and affect our reputation and operations

Injuries to workers and casualty at construction sites are a common inherent risk in the construction industry. As at 31 March 2014, our Group was subject to certain claims in relation to personal injuries, and such proceedings were in progress as at the Latest Practicable Date. Further information regarding such claims is set out in the paragraph headed “Business — Litigation and potential claims” in this prospectus.

Claims of such nature expose us to the risk of bearing higher insurance premiums in the future. They may also bring damage to the reputation of our Group if they turn into high profile cases and become widely reported in the media or within the industry. If such incidents occur, our business prospects, reputation and results of operation may be negatively affected.

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

A member of our Group declared interim dividends of HK\$10.5 million and HK\$52.5 million respectively during FY2013 and FY2014. They were settled and financed by our internal resources. Our Group also declared and paid an interim dividend of HK\$15 million on 22 August 2014.

After Listing, any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors. These factors include our results of operation, financial conditions, future prospects and other factors which our Directors may then consider to be important. For further details of the dividend policy of our Company, please see the paragraph headed “Financial information — Dividend and dividend policy” in this prospectus. Dividends declared in the past are not indicative of our future dividend policy. We cannot guarantee if and when dividends will be paid in the future.

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

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

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

RISKS RELATING TO THE INDUSTRIES IN WHICH WE OPERATE

Our performance depends on market conditions and trends in the construction industry and in the overall economy

All our operations and management are currently located in Hong Kong during the Track Record Period (except for a relatively small portion of revenue which arose from machinery leasing to contractors and a foundation project in Macau). The future growth and level of profitability of the construction industry in Hong Kong depend primarily upon the continued availability of large construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors. These factors include, in particular, the Hong Kong Government's spending patterns on the construction industry in Hong Kong and its land supply and public housing policy, speed of approval of the relevant budgets and/or projects, the investment of property developers and the general conditions and prospects of Hong Kong's economy. They may affect the availability of construction projects from the public sector, private sector or institutional bodies. Apart from the public spending of the Hong Kong Government, other factors also affect the construction industry. These other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If there is any recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for construction works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

We operate in a competitive environment

The construction industry in Hong Kong has many participants and is competitive. We consider that generally construction companies operating in Hong Kong play the role of competitors as well as business partners in our construction business. Occasionally, new participants may wish to enter the industry. They may do so if they have the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite licences by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

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

We are required to maintain operating qualifications and licences to conduct our construction business. Please refer to the paragraph headed “Business — Major qualifications, certifications, awards and compliance” in this prospectus for further details. To maintain such qualifications and licences, we must comply with the restrictions and conditions imposed by various Government departments. For instance, contractors registered with WBDB are subject to a regulatory regime which is put in place to ensure contractors’ standards of financial capability, expertise, management and safety, who will take up the Government’s works. Please see the section headed “Laws and regulations” in this prospectus for additional information.

If we fail to comply with any of these regulations, our qualifications and licences could be temporarily suspended or even revoked, or the renewal of our qualifications and licences upon expiry of their original terms may be delayed or refused. In such event, our capability to undertake relevant works may be directly impacted, and our turnover and profits may be adversely affected.

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

Our Group occasionally had operations in Macau during the Track Record Period, and the aggregate income for such operations during the entire Track Record Period amounted to HK\$28.0 million. Although we do not actively seek for new opportunities in Macau, we may participate in Macau’s construction industry in the future when suitable opportunities arise. Conducting business in Macau involves certain risks not typically associated with operations in Hong Kong. They include risks relating to changes in Macau’s and China’s political, economic and social conditions, changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in regulatory requirements in relation to sub-contracting construction works, tightening of regulations on foreign contractors and sub-contractors, changes in exchange control regulations, change in interest rate and change in rates or method of taxation. Our Group’s operations in Macau are also exposed to the risk of changes in laws and policies that govern companies that operate in Macau, specifically construction contractors and sub-contractors carrying out works in Macau. In addition, the legal and judicial system adopted in Macau is substantially different from that in Hong Kong. Rights and protection under Hong Kong laws that companies in Hong Kong expect may not exist in Macau. Furthermore, if the said project in Macau does not proceed for reasons such as termination by the customer and/or the developer, or government measure which halts the project, our Group may lose the potential future income to be derived from this project.

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RISKS RELATING TO HONG KONG

The state of economy in Hong Kong

Our performance and financial conditions depend on the state of economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for about 96.8% of our Group's total revenue during the Track Record Period. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected.

The state of political environment in Hong Kong

Hong Kong is a special administrative region of the PRC. It enjoys a high level of autonomy under the principle of "one country, two systems" in accordance with the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy as currently in place. Since our primary operations are substantially located in Hong Kong, any change of Hong Kong's existing political environment may affect the stability of the economy in Hong Kong, thereby affecting our results of operations and financial positions.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

Potential conflict of interests between the Controlling Shareholders and other minority Shareholders

Immediately following the Share Offer, our Controlling Shareholders will beneficially hold an aggregate of approximately 75% of the Shares in issue (without taking into account Shares, if any, to be allotted and issued pursuant to the exercise of any options that may be granted pursuant to the Share Option Scheme). The interests of the Controlling Shareholders may differ from the interests of the other Shareholders. There is no assurance that the Controlling Shareholders will act in our best interests or that of the minority Shareholders. If there is any conflict of interests between the Controlling Shareholders and the minority Shareholders, the Controlling Shareholders may have power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and other Shareholders, regardless of the underlying reasons.

Investors will experience immediate dilution

Because the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, subscribers or purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to HK\$0.26 per Share, based on the minimum Offer Price of HK\$0.75.

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Shareholders' interests in our Company may be diluted as a result of additional equity fund raising

After Listing, we may issue additional Shares to raise additional funds to finance our business expansion. Such fund-raising activities may be made through issue of new equity or equity-linked securities of our Company, which are not made on a pro rata basis to existing Shareholders. In such event, (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the ordinary Shares held by existing Shareholders.

There was no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Offer Price

Prior to the Share Offer, there was no public market for our Shares. The Offer Price was the result of negotiations between us and the Sole Coordinator (for itself and on behalf of the Underwriters). Such Offer Price may differ significantly from the market price for the Shares following the Share Offer.

In addition, we cannot assure you that an active trading market will develop or be maintained following completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The liquidity and market price of our Shares following the Share Offer may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of major construction works contracts awarded could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

There is time lag between pricing and commencement of trading of the Shares, and the price of our Shares may fall before trading begins

The Offer Price will be determined on the Price Determination Date, which is expected to be on Thursday, 11 September 2014. However, trading of the Shares on the Main Board will not commence until the Listing Date, which is expected to be on Friday, 19 September 2014. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price could fall before trading begins, resulted from adverse market conditions or other adverse developments that could occur between the said period of time.

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

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

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

Prevailing market price of Shares may, after Listing, be negatively impacted by future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issue or sale may occur. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. We cannot give any assurance that they will not dispose of Shares they may own now or in the future.

Granting options under the Share Option Scheme may affect our Group's result of operation and dilute Shareholders' percentage of ownership

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may adversely affect our Group's results of operations. Issue of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issue. It may also result in the dilution to percentage ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme up to the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Statistics and industry information may come from various sources which may not be reliable

Certain facts, statistics and data presented in the section headed "Industry overview" and elsewhere in this prospectus relating to the Hong Kong construction industry have been derived, in part, from various publications and industry-related sources prepared by government departments or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. Neither our Group, our Directors, the

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Sole Sponsor nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon.

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Cap. 32 Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer 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 us, the Sole Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. The Listing is sponsored by the Sole Sponsor. The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreements. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

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 or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions 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.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalisation Issue, Shares which may fall to be issued upon the exercise of any options that may be granted under the Share Option Scheme) on the Main Board.

Save as disclosed in this prospectus, 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 is proposed to be sought in the near future.

Under section 44B(1) of the Cap. 32 Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Application Lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Share Offer, the Capitalisation Issue and any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme will be registered on our Company's branch register of members to be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Our Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Share Offer.

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

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as 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 advice of their stock brokers or other professional advisors for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. None of our Group, the Sole Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, the Sole Sponsor, or any of their respective directors, agents or advisors or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, dealing in, or exercising any rights in relation to, our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 19 September 2014, it is expected that dealings in our Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Friday, 19 September 2014. Shares will be traded in board lots of 4,000.

The stock code for the Shares is 2221.

Our Company will not issue any temporary documents of title.

PROCEDURES FOR APPLICATION FOR SHARES

See section headed “How to apply for the Public Offer Shares” in this prospectus and the relevant Applications Forms for the procedures for applying for the Public Offer Shares.

STRUCTURE OF THE SHARE OFFER

See section headed “Structure of the Share Offer” in this prospectus for details of the structure of the Share Offer, including its conditions.

ROUNDING

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

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

LANGUAGE TRANSLATION

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Chu Shu Cheong (朱樹昌)	Flat D, 7/F Lung Tang Court 88-90 Castle Peak Road Tsing Lung Tau New Territories Hong Kong	Chinese (Permanent resident of Hong Kong)
Mr. Kwan Man Hay (關萬禧)	G/F, 36 North York Siu Lek Yuen Village Shatin New Territories Hong Kong	Chinese (Permanent resident of Hong Kong)
Mr. So Kin Shing (蘇健誠)	Flat C, 4/F Shing Loong Court 13 Dragon Terrace Tin Hau Hong Kong	Chinese (Permanent resident of Hong Kong)
Ms. Lai Mun Yee (賴敏儀)	Flat B, 27/F Block 16 Chevalier Garden 2 Hang Shun Street Ma On Shan New Territories Hong Kong	Chinese (Permanent resident of Hong Kong)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential address	Nationality
<i>INEDs</i>		
Mr. Lo Chun Chiu, Adrian (羅俊超)	Flat A, 13/F Villa Rhapsody, Block 11 Sai Sha Road Symphony Bay Ma On Shan New Territories Hong Kong	Chinese (Permanent resident of Hong Kong)
Dr. Tong Ka Lok (唐嘉樂)	Block 75, R/S Estrada de Choc Van Hou Un no. 93-95 Estate Choc Van Coloane Macau	Chinese (Permanent resident of Macau)
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i> (蔡偉石, 榮譽勳章, 太平 紳士)	Room 5A, 5/F Fuk Lee Building 1-7 Shell Street North Point Hong Kong	Chinese (Permanent resident of Hong Kong)
Dr. Huen Wai Kei (禰偉旗)	House 2, 26 Shouson Hill Road Orchid Valley Deep Water Bay Hong Kong	Chinese (Permanent resident of Hong Kong)

Further information of our Directors is disclosed in the section headed “Directors, senior management and employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Halcyon Capital Limited 11th Floor, 8 Wyndham Street, Central, Hong Kong
Sole Coordinator, Sole Bookrunner and Sole Lead Manager	Halcyon Securities Limited 11th Floor, 8 Wyndham Street, Central, Hong Kong
Co-Lead Managers (<i>in alphabetical order</i>)	Convoy Investment Services Limited 24C, @CONVOY 169 Electric Road North Point Hong Kong
	Great Roc Capital Securities Limited Suite 3712 37/F, West Tower Shun Tak Centre 168–200 Connaught Road Central, Hong Kong
	Investec Capital Asia Limited Room 3609–3613 36/F, Two International Finance Centre 8 Finance Street, Central, Hong Kong
	Shenyin Wanguo Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong
	Tung Shing Securities (Brokers) Limited 22/F, China Overseas Building 139 Hennessy Road Wanchai, Hong Kong
Compliance adviser	Halcyon Capital Limited 11th Floor, 8 Wyndham Street Central, Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law:</i> Christine M. Koo & Ip Room 601, 6th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Cayman Islands law:

Appleby
2206–19, Jardine House,
1 Connaught Place,
Central, Hong Kong

As to Macau law:

Leong Hon Man Law Office
Avenida da Praia Grande No. 409,
12/F, China Law Building,
Macau

**Legal advisers to the Sole Sponsor
and the Underwriters**

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

Reporting accountants

World Link CPA Limited
Certified Public Accountants
5th Floor, Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong

Internal control consultant

World Link Corporate Finance Limited
5th Floor, Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong

Receiving banks

DBS Bank (Hong Kong) Limited
16th Floor, The Centre
99 Queen's Road Central
Central
Hong Kong

**Industrial and Commercial Bank of
China (Asia) Limited**
33/F., ICBC Tower,
3 Garden Road,
Central,
Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY-1108, Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Room 1812, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong
Company's website	www.ncfl.com.hk <i>(the information contained in this website does not form part of this prospectus)</i>
Compliance adviser	Halcyon Capital Limited 11th Floor, 8 Wyndham Street Central, Hong Kong
Company secretary	Mr. Chow Chi Keung (周自強), <i>member, HKICPA</i> 2/F, 245B Nai Wai, Tuen Mun, New Territories, Hong Kong
Authorised representatives	Mr. Kwan Man Hay (關萬禧) G/F, 36 North York Siu Lek Yuen Village Shatin New Territories Hong Kong Ms. Lai Mun Yee (賴敏儀) Flat B, 27/F, Block 16 Chevalier Garden 2 Hang Shun Street, Ma On Shan New Territories, Hong Kong
Audit Committee	Dr. Tong Ka Lok (<i>Chairman</i>) Mr. Lo Chun Chiu, Adrian Dr. Huen Wai Kei
Remuneration Committee	Dr. Huen Wai Kei (<i>Chairman</i>) Mr. Choy Wai Shek, Raymond, <i>MH, JP</i> Mr. Kwan Man Hay

CORPORATE INFORMATION

Nomination Committee	Mr. Lo Chun Chiu, Adrian (<i>Chairman</i>) Mr. Choy Wai Shek, Raymond, <i>MH, JP</i> Dr. Tong Ka Lok Mr. Chu Shu Cheong
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Cayman Islands share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House, 75 Fort Street P.O. Box 1350, Grand Cayman KY-1108, Cayman Islands
Principal banks	DBS Bank (Hong Kong) Limited 16th Floor, The Centre 99 Queen's Road Central Central Hong Kong Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road Central Hong Kong

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

In preparation for the Listing, we have sought the following waiver from compliance with the relevant provisions of Listing Rules:

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has transaction with certain connected person that is expected to continue after the Listing, which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with the requirements in respect of the relevant non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waiver are set out in the section headed “Continuing connected transactions” in this prospectus.

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by IPSOS, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Share Offer. Neither our Group, the Sole Sponsor, the Sole Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Share Offer make any representation as to the accuracy, completeness or fairness of such information from official government publications.

The information extracted from the commissioned report from IPSOS reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to IPSOS should not be considered as the opinion of IPSOS as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the commissioned report from IPSOS are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since that the date of the IPSOS Report.

SOURCE OF INFORMATION

We have commissioned IPSOS, an independent market research company, to analyse and report on, among others, the trends of the construction industry including the general building, foundation and civil engineering industry in Hong Kong for the period from 2009 to 2018 at a fee of HK\$398,000 and our Directors consider that such fee reflects market rates. To provide an analysis of the aforementioned markets, IPSOS combined the following data and intelligence gathering methodology: (a) performing client consultation to facilitate the research including in-house background information of the client such as the business of our Company; (b) conducting desk research to gather background information and to obtain the relevant information and statistics on the industry; and (c) conducting in-depth interviews including face to face, phone interviews with key stakeholders and industry experts of exhibition related players in Hong Kong. The information and statistics as set forth in this section have been extracted from the IPSOS Report.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, IPSOS SA acquired Synovate Ltd. in October 2011. After the combination, IPSOS becomes the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. IPSOS conducts research on market

INDUSTRY OVERVIEW

profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. IPSOS is independent of our Company and none of our Directors or their associates has any interest in IPSOS.

Our Directors confirm that IPSOS, including all of its subsidiaries, divisions and units, are independent of and not connected with us (within the meaning of the Listing Rules) in any way. IPSOS has given its consent for us to quote from the IPSOS Report and to use information contained in the IPSOS Report in this prospectus.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the IPSOS Report, various official government publications and other publications.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

Analyses in the IPSOS Report are based on the following assumptions:

- The supply of construction services, including foundation, civil engineering and general building works, is assumed to be stable over the forecast period.
- There is no external shock such as financial crisis or natural disasters to affect the demand for and supply of construction service, including foundation, civil engineering and general building works over the forecast period.
- The growth in the construction industry in Hong Kong is positively related to the economic growth, including inflation and Renminbi appreciation.
- Data for revenues (gross output values) refers to the values of works, in nominal terms, performed by both main contractors and sub-contractors at construction sites for both public and private sectors. This assumption is applicable throughout the IPSOS Report, unless otherwise specified.
- Data for the number of projects carried out in 2013 for Table 2 to Table 7 refers to projects carried out by both main contractors and sub-contractors at construction sites for both public and private sectors.
- Data for revenues and contributions of our Group denotes the data of FY2014, which refers to the period for the year ended 31 March 2014.

The following parameters have been taken into account in the market sizing and forecast model in the IPSOS Report:

- GDP value and GDP growth rate in Hong Kong from 2009 to 2018.
- Gross output value of construction works performed by main contractors and sub-contractors at construction sites in Hong Kong from 2009 to 2013.
- Public expenditure on infrastructure in Hong Kong from 2009 to 2013.

INDUSTRY OVERVIEW

- Total number of public rental housing units supplied by the Housing Authority in Hong Kong from 2009 to 2013.
- Total number of private residential housing units in new completions (representing by the issue of occupation permits) in Hong Kong from 2009 to 2013.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

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

OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

Gross output value of construction works in Hong Kong:

The total gross output value of construction works at construction sites in Hong Kong surged from around HK\$60.8 billion in 2009 to around HK\$135.2 billion in 2013, representing a CAGR of about 22.1%.

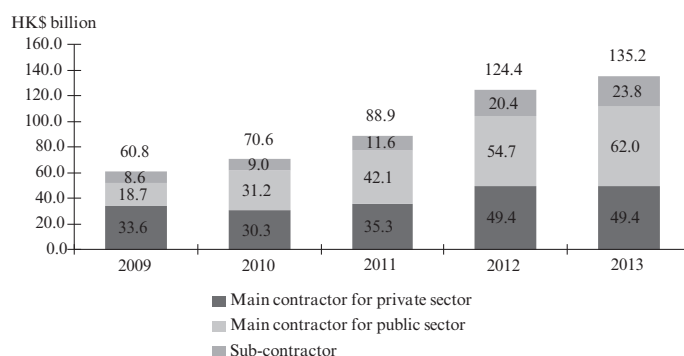


Figure 1. Gross output value of construction works performed by main contractors and sub-contractors at construction sites in Hong Kong from 2009 to 2013

Sources: Report on the Quarterly Survey of Construction Output, Census and Statistics Department, HKSAR; IPSOS Report

Over the past five years, the gross output value of construction works in the public sector performed by main contractors at construction sites experienced a significant growth of about 67.4% between 2009 and 2010, from about HK\$18.7 billion to about HK\$31.2 billion. The growth was mainly attributable to the launching of more construction projects by the Government to increase the employment opportunities in the construction industry, in order to support the recovery of Hong Kong's economy after the 2008 global financial crisis. On the other hand, the moderate growth of the private sector was mostly due to the recovery of the economy, as well as the rising demand for residential properties in Hong Kong.

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In the period of 2010 and 2013, the gross output value of construction works in the public sector performed by main contractors at construction sites was up by approximately 98.7%. Such drastic growth was attributed to launching of more construction projects, especially the on-going plan of “Ten Major Infrastructure Projects”, by the Government. It also surged the demand for sub-contracting works, and hence increased the gross output value of construction works performed by sub-contractors at construction sites by about 164.4% during 2010 and 2013. Compared to the public sector, increase in the gross output value of construction works in the private sector performed by main contractors at construction sites over the same period of time was less significant. It was mainly because most of the private projects were in relatively smaller scale, compared to the public projects such as infrastructure construction projects and public rental housing projects.

In the construction industry, including the foundation, civil engineering and general building segments, employers (i.e. developers to the main contractor, and main contractor to the sub-contractors) commonly granted letters of award as a form of binding contract to the contractors (in lieu of formal contracts), and where accepted by the contractors, shall form a valid contract regarding the projects. Contractors usually commence works after the grant of letters of award.

Apart from the above industry norm, during the course of construction works, delay may occur from time to time due to the following factors including but not limited to accidents, difficult weather conditions, unexpected consumption of time to file, lodge and/or apply to comply with relevant government procedures, rules and/or regulation, unexpected technical difficulties on the construction progress and variations to original design. With any delays, the main contractors may be responsible to the employers (owners) for the compensation or penalty; sub-contractors, in contrast, may not be responsible for the compensation or penalty. However, it depends substantially on the agreements amongst main contractors and sub-contractors. Developers and main contractors are more likely to cooperate with main contractors or sub-contractors who have low level of delay rates.

Market outlook:

Supply side of the construction industry, including the foundation, civil engineering and general building works segments

Labour costs and construction material costs were and are the major supply side factors affecting the construction industry in Hong Kong.

Trend of wages of construction workers in Hong Kong

Average wage of construction workers in Hong Kong grew from approximately HK\$61.8 per hour in 2009 to approximately HK\$74.7 per hour in 2013, at a CAGR of about 4.8%. It declined mildly from about HK\$61.8 per hour in 2009 to about HK\$57.9 per hour in 2010 and then increased to about HK\$62.9 per hour in 2011. The increase in average wage sustained in 2012 and 2013, which reached about HK\$69.1 per hour and about HK\$74.7 per hour respectively.

INDUSTRY OVERVIEW

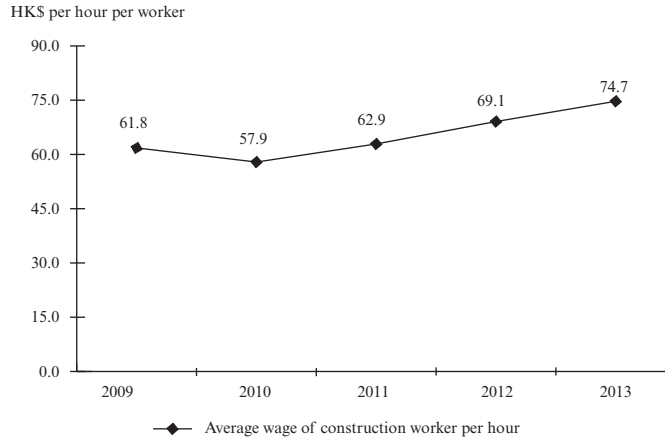


Figure 5. Price trend of construction worker wages in Hong Kong from 2009 to 2013

Sources: Census and Statistics Department, HKSAR; IPSOS Report

Average wage of construction workers per hour is expected to surge in the next few years, attributable to the stable demand for construction workers, together with labour shortage in the construction industry. There are a number of skilled construction workers approaching retirement age, while young people are not fond of joining the construction industry. In addition, sub-contracting is a common practice in the construction industry in Hong Kong. With rising labour costs, a significant increase in the sub-contracting costs is expected.

Price trend of steel reinforcements in Hong Kong

Average wholesale price of steel reinforcements increased from about HK\$4,857 per metric ton in 2009 to about HK\$5,282 per metric ton in 2013, representing a CAGR of about 2.1%. It peaked at about HK\$6,595.0 per metric ton in September 2011, resulted from the strong construction demand in Hong Kong.

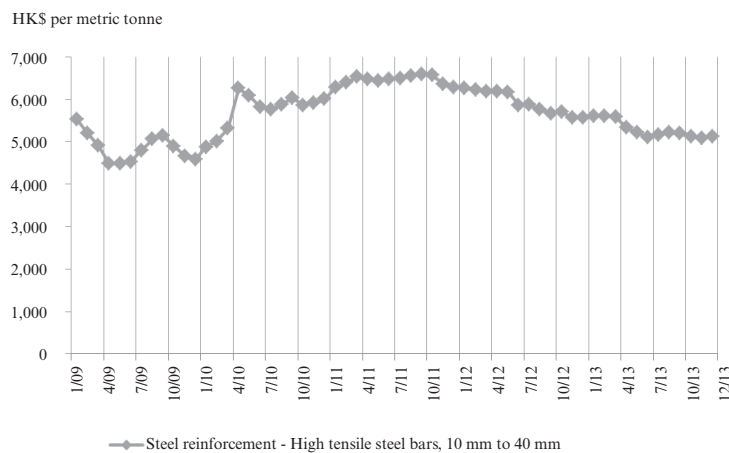


Figure 6. Price trend of steel reinforcements in Hong Kong from 2009 to 2013

INDUSTRY OVERVIEW

Sources: Census and Statistics Department, HKSAR; IPSOS Report

The deepening European debt crisis, together with rising inflation and tightening monetary policy in China brought difficulty in financing and hampered the demand for steel reinforcement from downstream industries, and in particular, the demand for export and industrial production. Therefore, Hong Kong's average price of steel reinforcements started to fall from about HK\$6,571 per metric ton in October 2011 to about HK\$5,118 per metric ton in December 2013, by about -22.1%.

Price trend of cement in Hong Kong

Hong Kong's average wholesale price of cement experienced a substantial growth from about HK\$584.1 per metric ton in 2009 to about HK\$612.7 per metric ton in 2013, at a CAGR of about 4.6%.

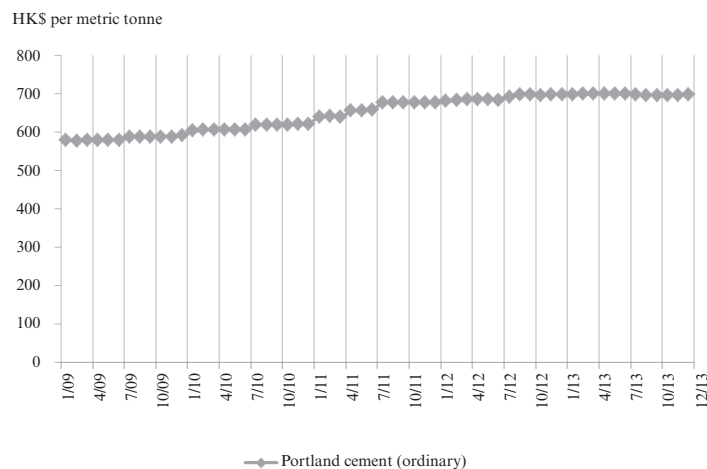


Figure 7. Price trend of cement in Hong Kong from 2009 to 2013

Sources: Census and Statistics Department, HKSAR; IPSOS Report

Over the past five years, the average wholesale price of cement increased at about 4.6% every year. The rising price trend was mostly attributed to the appreciation of the Renminbi which resulted in high commodity prices, as well as the accelerated inflation in Hong Kong and the strong construction demand in Hong Kong, Macau and China.

Growing demand for cement in China led to an increasing average wholesale price of cement in the past three to five years in Hong Kong as most of the cement used in Hong Kong was imported from China. The demand for cement was fueled by the accelerated building and infrastructure constructions in China since 2011, with the PRC government setting aside approximately US\$24.2 billion and an estimated 42,614 hectares of land in 2011 in order to support their construction industry. According to the Ministry of Housing and Urban-Rural Development of the PRC, about 36 million subsidised housing units in total will be built during 2011 and 2015.

INDUSTRY OVERVIEW

Price trend of diesel fuel in Hong Kong

The average wholesale price of diesel fuel in Hong Kong grew moderately at a CAGR of about 2.2%, from about HK\$1,919.0 per 200-litre drum in 2009 to about HK\$2,092.0 per 200-litre drum in 2013.

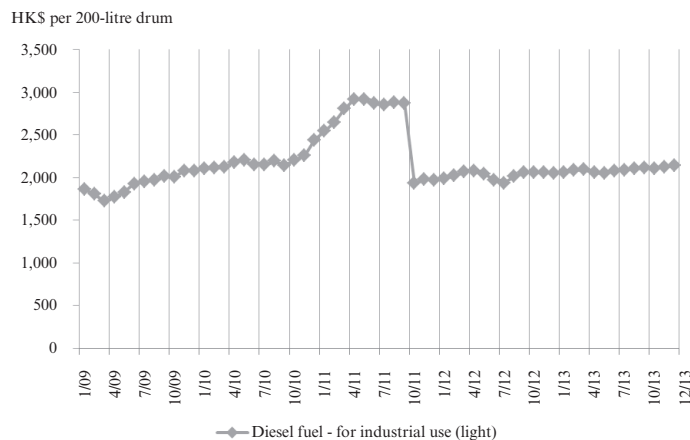


Figure 8. Price trend of diesel fuel in Hong Kong from 2009 to 2013

Sources: Census and Statistics Department, HKSAR; IPSOS Report

Attributable to the global economic recovery which caused an increase in the demand for diesel fuel, Hong Kong's average wholesale price of diesel fuel had a substantial overall growth between 2009 and 2011.

The average wholesale price of diesel fuel rose sharply by about 29.2% from around HK\$2,257.0 per 200-litre drum in November 2010 to about HK\$2,916.0 per 200-litre drum in May 2011. It was mostly due to the instability in Libya and the appreciation of the U.S. dollars. As Libya has restored its output of diesel fuel to the levels before its civil war in 2011, the average wholesale price of diesel fuel in Hong Kong became stabler in 2012 and the trend sustained in 2013.

Demand side of the construction industry, including the foundation, civil engineering, and general building works segment

In the past five years, increasing number of tourists drove the demand for hotel buildings as well as retail spaces. More hotel buildings were needed to accommodate the tourists coming to Hong Kong, with the overnight visitors to Hong Kong increased from about 16.9 million in 2009 to about 25.7 million in 2013; while more retail spaces, especially those for high-end and luxury brands, were in demand to increase the sales by attracting more overseas and mainland consumers. This fuelled the demand for construction industry in Hong Kong.

Also, the rising population has boosted the demand for residential buildings, railway and road infrastructure and hence the construction industry in the recent decade. The population in Hong Kong grew from approximately 7.0 million in 2009 to approximately

INDUSTRY OVERVIEW

7.2 million in 2013, at a CAGR of about 0.8%; and it is expected to reach an estimated 8.5 million in 2041. The increase in population leads to the rising demand for both private and public residential buildings, as well as railway and road infrastructure including highways and tunnels, and hence driving the construction industry in Hong Kong.

Interest rate is another key factor affecting the demand for the construction industry. High level of interest rates tends to discourage homebuyers and investors while low level of interest rates will encourage homebuyers and investors to borrow more. Because of the normalisation of U.S. monetary policy, an increase in interest rates is envisaged.

In February 2013, the Government announced to amend the Stamp Duty Ordinance with adjusting the ad valorem stamp duty regime. The Government aimed at cooling down the booming property market. Further, the Government proposed new cooling measures in early May 2014 that if second-home buyers purchase homes which are still under construction, the grace period can be prolonged by up to three years. However, according to the Secretary for Financial Services and the Treasury, parts of the cooling measures of the property market may be relaxed in the future, and this will mitigate the adverse effect on the demand for the construction industry arising from the new stamp duty regime.

The on-going plan of “Ten Major Infrastructure Projects” which was first initiated by the Hong Kong Government in its 2007-08 Policy Agenda, such as Lok Ma Chau Loop, the North East New Territories New Development Areas and the Hung Shui Kiu New Development Area, has given and will continue to give opportunities to the construction industry in Hong Kong in the next three to five years.

Market competition:

According to the latest available information obtained from “Key Statistics on Business Performance and Operating Characteristics of the Building, Construction and Real Estate Sectors (2012 Edition)” issued by the Census and Statistics Department, in 2012 the construction industry in Hong Kong is consolidated, with about 97.8% of the 22,309 construction companies in Hong Kong are small and medium sized companies (i.e. those whose number of employees are less than 50), and with quite a number of big contractors that are recognised as market leaders. In 2013, the total gross output value of construction works in Hong Kong was about HK\$135.2 billion.

OVERVIEW OF FOUNDATION WORKS SECTOR IN HONG KONG

Revenue of foundation works sector in Hong Kong:

Revenue of the foundation works sector of the construction industry in Hong Kong experienced a significant growth from about HK\$6.8 billion in 2009 to about HK\$18.3 billion in 2013, representing a CAGR of about 28.5%.

INDUSTRY OVERVIEW

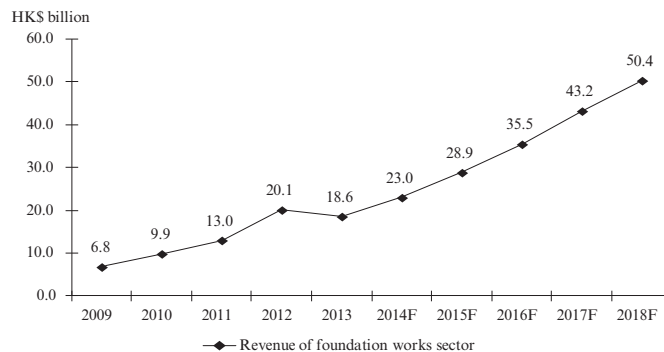


Figure 2. Revenue of the foundation works sector of the construction industry in Hong Kong from 2009 to 2018

Sources: Report on the Quarterly Survey of Construction Output, Census and Statistics Department, HKSAR; IPSOS Report

Foundation works such as piling are precursor for most other construction works and are carried out upon commencement of any construction project. Hence the growth of the foundation segment reflects the growing trend of the entire construction industry. The increase in foundation works between 2010 and 2013 was mainly driven by the public sector. With the number of the “Ten Major Infrastructure Projects”, there has been a significant growth in the foundation works revenue due to the number of foundation works being carried out during that period. The foundation works of some infrastructure projects, such as the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (being one of the “Ten Major Infrastructure Projects”), were completed in early 2013, which led the foundation works sector to experience a slight drop of revenue in 2013.

The revenue of the foundation works sector is expected to have a continual growth at a CAGR of about 21.6 %, from about HK\$23.0 billion in 2014 to about HK\$50.4 billion in 2018. With the gradual completions of foundation works of the “Ten Major Infrastructure Projects”, the expected revenue growth in the next five years will slow down to an average of around 22.1% per year, from the average annual growth rate of about 28.2% between 2009 to 2013.

Market outlook:

The growth in the foundation works sector from 2009 to 2013 was mainly driven by the rising demand for both private and public residential buildings and commercial buildings, and the “Ten Major Infrastructure Projects”. It is expected that these will continue to boost the foundation works sector.

Increasing demand for both private and public residential buildings and commercial buildings, mainly attributed to the rise in population, increase in the number of tourists travelling to Hong Kong, and growth in the number of small and medium enterprises (“SMEs”), has driven growth in the foundation segment of Hong Kong.

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In addition, strong demand for infrastructure, including railway and road infrastructure, has accelerated the growth of the foundation segment in Hong Kong. The rising demand for infrastructure is primarily because of the new development area in the eastern and northern parts of the New Territories, Wan Chai Development, new MTR lines and MTR extension projects and the on-going “Ten Major Infrastructure Projects”.

Market competition:

Contractors who perform public foundation works are required to register at WBDB or the Housing Authority for public housing projects, whereas those who perform private foundation works shall register at the Buildings Department.

No.	Type	Description	Application
1	Registered Specialist Contractors (Foundation Works)	Register with the Buildings Department, based on qualifications and experience requirements	All foundation works, except where the penetration depth of the foundation element does not exceed 3 meters
2	Land Piling <ul style="list-style-type: none"> ● Group I ● Group II 	Register with WBDB, based on qualifications, experience requirements and financial assessments	Public foundation works: <ul style="list-style-type: none"> ● Group I — Contracts/Sub-contracts up to HK\$3.4 million ● Group II — Contracts/Sub-contracts of unlimited value
3	Piling Contractors <ul style="list-style-type: none"> ● Large Diameter Bored Piling Category ● Percussive Piling Category 	Be on the Housing Authority List of Piling Contractors, based on qualifications, experience requirements and financial assessments	Foundation works initiated by the Housing Authority

Table 1. Licence and qualification for foundation works companies in Hong Kong

Source: IPSOS Report

There were about 131 foundation companies registered at the Buildings Department qualified for engaging in private foundation works as of March 2014. There were about 41 licensed specialist piling companies according to WBDB as of March 2014. The foundation works sector is mainly led by a few big players. The top five players, who hold at least one of the above licences, made up about 41.0% of the total market share, whereas the remaining players shared the remaining 59.0% in 2013.

Our Group contributed about HK\$81.9 million in FY2014 or (assuming to be about the same for the calendar year 2013 by extrapolation) about 0.44% to the revenue of foundation works in Hong Kong in 2013.

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Rank	Name of company	Headquarters location	Revenue in 2013 (HK\$ million)	Share of total industry revenue (%)	Number of projects carried out in 2013
1	Company A	Hong Kong	2,284	12.3	16
2	Company B	Beijing	1,855	10.0	15
3	Company C	Hong Kong	1,534	8.2	11
4	Company D	Hong Kong	1,056	5.7	9
5	Company E	Hong Kong	900	4.8	7
	Others		10,974	59.0	
	Total		18,603	100.0	

Table 2. Top five foundation works companies in Hong Kong in 2013

Source: IPSOS Report

OVERVIEW OF CIVIL ENGINEERING WORKS SECTOR IN HONG KONG:

To perform civil engineering works, such as site formation works, for private sector in Hong Kong, contractors must be registered with the Buildings Department as specialist contractors, such as Register of Specialist Contractors (Sub-register of Site Formation Works Category).

Further requirements are need for performing civil engineering works for public sector, for instance, contractors should be on the lists at the WBDB.

Revenue of civil engineering works sector in Hong Kong:

Between 2009 and 2013, revenue of the civil engineering works sector of the construction industry in Hong Kong grew at a CAGR of approximately 45.4%, from approximately HK\$ 13.8 billion to approximately HK\$61.6 billion.

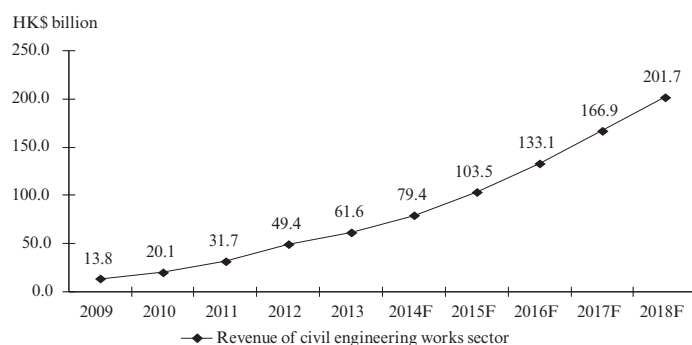


Figure 3. Revenue of the civil engineering works sector of the construction industry in Hong Kong from 2009 to 2018

Source: Report on the Quarterly Survey of Construction Output, Census and Statistics Department, HKSAR; IPSOS Report

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From 2010 to 2011, the civil engineering works sector's revenue experienced a significant growth of about 57.2% over the past five years; and it reached approximately HK\$61.6 billion in 2013. The significant increase in civil engineering works sector's revenue was mainly attributed to the increasing number of projects for civil engineering works, and the increase in contract value for project carried out during the period. Civil engineering works construction project with substantial contract value carried out during the period included (i) HK\$1.9 billion for "Kai Tak development — reconstruction and upgrading of Kai Tak Nullah"; (ii) HK\$3.3 billion for "Expansion of Tai Po water treatment works and ancillary raw water and fresh water transfer facilities — part 2 works"; and (iii) HK\$2.5 billion for "Liantang/Heung Yuen Wai Boundary Control Point and Associated Works — Phase 3".

Revenue of the civil engineering works sector of the construction industry in Hong Kong is expected to grow substantially at an average rate of about 26.3% each year between 2014 and 2018.

Market outlook:

Urban renewal and rising demand for infrastructure have been the two major driving forces to the civil engineering works sector in Hong Kong since the past decade.

Urban renewal becomes an essential part of social development of development regions such as Hong Kong. The Government has been promoting urban renewal development in order to deal with the problem of urban decay in the old districts, whilst the new MTR lines and MTR extension projects, tunnels and highways are included in the urban planning. The demand for railway and road infrastructure such as MTR's Shatin — Central Link and Kai Tak Station, attributed to urban development, will give opportunities to the civil engineering sector of Hong Kong. With the on-going implementation of the "Ten Major Infrastructure Projects", further growth in the civil engineering works sector in Hong Kong is envisaged, and the public sector will continue to be the key driver.

Market competition:

Public civil engineering works involve port works, roads and drainage works, water works and site formation, whereas site formation is the major type of civil engineering works performed in the private sector. There were about 169 registered civil engineering companies performing site formation works in the private sector as of March 2014. For the public sector, there were about 34 licensed civil engineering companies in the port works category, about 148 licensed companies in the roads and drainage category, about 80 licensed companies in the site formation category, and about 67 licensed companies in the waterworks category as of March 2014. The top five civil engineering companies with licences took up about 54.1% of the total market share in the civil engineering works sector of construction industry in Hong Kong, reflecting the dominant roles of these biggest players.

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Our Group contributed about HK\$65.2 million in FY2014 or (assuming to be about the same for the calendar year 2013 by extrapolation) about 0.11% to the revenue of civil engineering works in Hong Kong in 2013.

Rank	Name of company	Headquarters location	Revenue in 2013 (HK\$ million)	Share of total industry revenue (%)	Number of projects carried out in 2013
1	Company F	France	17,830	29.0	20
2	Company C	Hong Kong	8,852	14.4	6
3	Company B	Beijing	2,811	4.6	8
4	Company G	Beijing	1,905	3.1	3
5	Company H	Hong Kong	1,835	3.0	3
	Others		28,352	45.9	
Total			61,585	100.0	

Table 3. Top five civil engineering works companies in Hong Kong in 2013

Source: IPSOS Report

OVERVIEW OF GENERAL BUILDING WORKS SECTOR IN HONG KONG

Revenue of general building works sector in Hong Kong:

To carry out general building works for private sector in Hong Kong, contractors must be registered with the Buildings Department as general building contractors. Registered general building contractors undertake general building works and street works which do not include any specialised works designated for registered specialist contractors.

Revenue of the general building works sector of the construction industry in Hong Kong increased from about HK\$46.2 billion in 2009 to about HK\$71.1 billion in 2013, at a CAGR of about 11.6%.

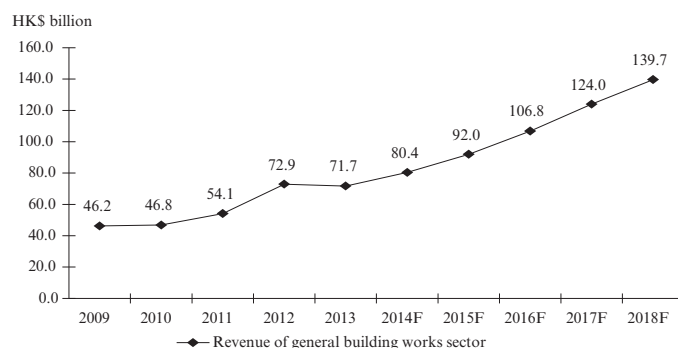


Figure 4. Revenue of the general building works sector of the construction industry in Hong Kong from 2009 to 2018

Source: Report on the Quarterly Survey of Construction Output, Census and Statistics Department, HKSAR; IPSOS Report

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Over the past five years, revenue of the general building works sector recorded the biggest growth of about 34.6% from 2011 to 2012, peaked at HK\$72.9 billion. Such significant growth in 2011 and 2012 was mostly attributed to the recommencement of general building works projects previously put on hold, in particular residential and commercial building works, as a result of a recovery in Hong Kong's economy following the 2008-09 financial crisis. A general slowdown of general building works afterwards led to a decline in newly completed private residential housing units (representing by the issue of occupation permits) from about 10,144 units in 2012 to about 8,250 units in 2013 in Hong Kong. Moreover, as a result of a lack of confidence under the shadow of global financial crisis, private investors suspended their investment in new construction projects until these new construction projects became active in 2011 and 2012, and these projects are expected to be completed in 2014 onwards. Therefore, revenue of the general building works sector of the construction industry in Hong Kong experienced a slight decline by about 1.6% in 2013, with the estimated output value of newly completed residential buildings being down by about 13.6% from 2012 to 2013. A similar situation occurred with respect to the commercial sector, and the estimated output value of newly completed commercial buildings was down by about 40.8% over the same period. It is expected that revenue of the general building works sector of the construction industry in Hong Kong will have a substantial growth from around HK\$80.4 billion in 2014 to around HK\$139.7 billion in 2018, at a CAGR of about 14.8%.

Market outlook:

With rising demand for residential buildings and commercial buildings including hotel buildings and office buildings, resulted from rising population, increasing number of tourists travelling to Hong Kong, and a growing number of SMEs, the general building sector is expected to remain buoyant.

In the next five years, urban renewal projects, including renovation and maintenance, and residential building projects will play the predominant role in the general building works sector.

Urban renewal is promoted by the Government for tackling the problem of urban decay in the old districts, and fulfilling the demand for residential buildings. The advocacy of urban renewal is expected to drive the general building sector in Hong Kong.

Government's initiatives in increasing land supply for approximately 40,000 domestic units of public housing each year during 2013 and 2017, and approximately 17,000 domestic units of Home Ownership Scheme project during 2014 and 2017 are expected to provide opportunities for the general building sector.

Market competition:

The top five players accounted for about 32.8% of the total market share of the general building sector in Hong Kong in 2013. It is the segment that has the largest number of qualified construction companies among the foundation, civil engineering and general building works segments. There were about 663 registered construction general building

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contractors at the Buildings Department for private building works as of March 2014, whereas about 147 qualified contractors for public building works at WBDB as of March 2014.

Our Group contributed about HK\$315.9 million in FY2014 or (assuming to be about the same for the calendar year 2013 by extrapolation) about 0.44% to the revenue of general building works in Hong Kong in 2013.

Rank	Name of company	Headquarters location	Revenue in 2013 (HK\$ million)	Share of total industry revenue (%)	Number of projects carried out in 2013
1	Company B	Beijing	4,910	14.6	30
2	Company H	Hong Kong	4,161	5.8	14
3	Company C	Hong Kong	3,078	4.3	3
4	Company I	Hong Kong	2,951	4.1	10
5	Company J	Hong Kong	2,880	4.0	18
	Others		53,734	67.2	
	Total		71,714	100.0	

Table 4. Top five general building works companies in Hong Kong in 2013

Source: IPSOS Report

COMPETITIVE ANALYSIS OF CONSTRUCTION INDUSTRY IN HONG KONG

- Licences held by contractors in the construction industry of Hong Kong differentiate the scopes and types of construction works that a contractor can bid and carry out. Also, these licences govern which sector (public or private, or both public and private) a contractor can undertake projects. Different types of licences, coupled with different levels of licences (such as Group I and Group II, etc.), illustrate the service scope and capability of a specific contractor so that the contractors selected for each ranking table are comparable.

Further, as licences imply the capability of the contractors, it becomes one of the key selection criteria for private developers and main contractors to consider when inviting contractors to submit tender, although legally there is no such limit imposed by the Buildings Department on the contract value of a private project which a contractor can undertake. It is because private developers and main contractors tend to employ contractors according to the scale of the project and the level of licence they hold (for example, Group C or Group II contractors to perform large scale projects). Therefore, to compare contractors holding similar licences can better reflect the competitive situation of the construction industry in Hong Kong.

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Ranking by Licences:

- Registered Foundation Contractors at the Buildings Department, Land Piling Group I and/or II at WBDB and Percussive Piling Confirmed at Housing Authority

Rank	Name of company	Headquarter location	Revenue in 2013 (HK\$ million)	Share of total industry revenue (%)	Number of projects carried out in 2013
1	Company A	Hong Kong	2,284	25.4	16
2	Company B	Beijing	1,855	20.6	15
3	Company C	Hong Kong	1,534	17.0	11
4	Company D	Hong Kong	1,056	11.7	9
5	Company E	Hong Kong	900	10.0	7
	Others		1,373	15.3	
	Total		9,002	100.0%	

Table 5. Top five foundation works companies in Hong Kong in 2013

Notes: (1) The table comprises contractors who were registered as foundation contractors at the Buildings Department, obtained Land Piling Group I and/or Group II licences of WBDB and held confirmed licences for percussive piling issued by the Housing Authority. (2) Contractors in Land Piling Group II registered at WBDB are allowed to take up contract/sub-contracts of unlimited value; whereas contractors in Land Piling Group I registered at WBDB are allowed to carry out contracts/sub-contracts up to HK\$ 3.4 million for land piling works.

Source: IPSOS Report

- Registered Site Formation Contractors at the Buildings Department, confirmed and/or on probation of Landslip Preventive at WBDB, Group B and/or BP for “Roads and Drainage”, and Group B and/or BP for Site Formation at WBDB

Rank	Name of company	Headquarter location	Revenue in 2013 (HK\$ million)	Share of total industry revenue (%)	Number of projects carried out in 2013
1	Company K	Hong Kong	1,056	89.7	6
2	NC Engineering (Our Group)	Hong Kong	65	5.5	4
3	Company L	Hong Kong	56	4.8	1
	Others		0	0.0	
	Total		1,177	100.0	

Table 6. Top five civil engineering works companies in Hong Kong in 2013

Notes: (1) The table comprises contractors who registered as site formation contractors at the Buildings Department, obtained confirmed and/or on probation licences of landslip preventive/remedial works to slopes/retaining walls of WBDB, held Group B and/or Group BP licences for “Roads and Drainage” and Group B and/or BP for site formation at WBDB. (2) ‘P’ denotes probationary status in the category indicated. (3) Contractors in Group B at WBDB are allowed to take up contract of value up to HK\$185 million.

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Source: IPSOS Report

Our Group contributed about HK\$65.2 million in FY2014 or (assuming to be about the same for the calendar year 2013 by extrapolation) about 5.5% to the revenue of civil engineering works (by contractors holding such licences as mentioned in the heading of this table) in Hong Kong in 2013.

- **Registered General Building Contractors at the Buildings Department, Building Group B at WBDB, New Works Group I or II at Housing Authority**

Rank	Name of company	Headquarter location	Revenue in 2013 (HK\$ million)	Share of total industry revenue (%)	Number of projects carried out in 2013
1	Company M	Hong Kong	348	42.6	1
2	Company N	Hong Kong	235	28.8	3
3	Company O	Hong Kong	233	28.6	2
	Others		0	0.0	
	Total		816	100.0	

Table 7. Top five general building works companies in Hong Kong in 2013

Notes: (1) The table comprises contractors who registered as general building contractors at the Buildings Department, Approved Contractors for Public Works — Buildings (Group B) at WBDB, and Building Contractors — Building New Works (Group NW2) at Housing Authority. (2) 'P' denotes probationary status in the category indicated. (3) Contractors in Group B at WBDB are allowed to take up contract of value up to \$185 million.

Source: IPSOS Report

COMPETITIVE ADVANTAGES OF OUR GROUP

By holding the various licences, our Group is able to capture business opportunities and alleviate the seasonal effect by providing various types of construction services.

- Our Group is registered as contractor for Roads and Drainage Works (Group B), Site Formation Works (Group BP), and Landslip Preventive/Remedial Works to Slops/Retaining Walls of Development Bureau, and as contractor for Site Formation Works of the Buildings Department, in the civil engineering segment of the construction industry in Hong Kong. Our Group is one of the three companies which possess qualifications and ability to take up various types of civil engineering contract with contract value up to HK\$185 million. Therefore, such diverse qualifications enable the Group to enjoy the advantage to capture business opportunities and fulfil its customers' needs by carrying out various types of middle-scale projects.
- Given the nature and technical procedures of building and infrastructure development, when the construction industry booms, the first sector to be benefited is the civil engineering sector (e.g. site formation works), followed by foundation and then general

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building works. In such connection, in case of a downturn of the construction industry, there could still be general building works opportunities while the number of foundation works declines and the civil engineering sector is usually relatively steady because the sector is more reliant on public sector expenditure.

ENTRY BARRIERS

Construction — lack of industry experience and sufficient cash flow

- Extensive experience and good reputation in the construction industry can only be gained through long-term accumulation. This may pose an entry barrier for new entrants who do not have adequate knowledge of projects carried out in the construction industry in Hong Kong. Technical qualifications are prerequisite for performing specific types of construction projects. Without sufficient experience, new entrants may find it difficult to obtain high level of technical qualifications such as Land Piling Group II.
- In Hong Kong's construction industry, construction contractors may need to have sufficient cash flow in order to pay their downstream, such as sub-contractors, without getting paid by their upstream, such as property developers. These construction contractors tend to build up or maintain a better relationship with their downstream, so more resourceful contractors can pay downstream quicker without relying on employers. Sufficient cash flow may become an obstacle to the new entrants that they may find it difficult to carry out this payment practice.
- Different capital requirements are required by different licences offered by the Government with respect to different construction works segments. Such poses barriers to new entrants who want to enter the construction industry, regardless of which segments they tend to engage.

Foundation works — insufficient initial and continuing capital

- Foundation contractors in Hong Kong may need to have strong initial and continuing capital to guarantee payment of wages to specialists, such as foremen, machinery operators and technical personnel, as well as foundation sub-contractors and raw material suppliers, and for purchasing or renting specialised machinery for foundation work. Any deferment of foundation works schedule resulting from inadequate initial and continuing capital, may also result in a decline in creditability. New entrants for foundation projects may face difficulties to survive in the market if they do not have enough initial and continuing capital.
- Moreover, foundation contractors have to fulfil various minimum capital requirements under different registration. For instance, the minimum working capital for Land Piling Group II under WBDB is HK\$8.6 million. Such capital requirement may pose a barrier to some new entrants.

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Civil engineering works — inadequate knowledge and qualifications, as well as insufficient financial strength

- Civil engineering is a specialist segment in Hong Kong's construction industry in that civil engineering contractors are required to possess specialist knowledge to perform civil engineering works including port works, roads and drainage, site formation, and water works. Hence, civil engineering contractors without specialist knowledge on the type of civil engineering works they wish to engage in may find it difficult to enter the civil engineering sector.
- Similar to the foundation works sector, civil engineering contractors have to meet various minimum capital requirements under different registration. For example, the minimum working capital for Landslip Preventive/Remedial Works to Slopes/Retaining Walls under WBDB is HK\$8.6 million. Apart from those minimum capital requirements, investment in machinery is significant. For example, a crane can cost over HK\$10 million. New entrants may not have the necessary financial strength to compete effectively.

General building works — well-established relationships between the existing general building contractors and the property developers, main contractors or sub-contractors

- Plenty of main contractors in the construction industry in Hong Kong are affiliated with the property developers. Such close relationships enhance the chances of main contractors and property developers working together on projects. Having well-established relationships with main contractors and property developers helps the general building contractors to win general building works projects; while having good yet long-term relationships with sub-contractors assists the general building contractors to have more reliable partners when they have to outsource some tasks to sub-contractors. This may set high barriers to newly established general building contractors.
- Regarding the capital requirement, in order to remain on the List of Approved Contractors for Public Works under the WBDB, a contractor is required to maintain certain minimum levels of employed capital and working capital, respectively, of about HK\$18.8 million for Group C confirmed licence holder.

MARKET THREATS

Construction — increasing costs in the construction industry and shortage of skilled labours

- The costs of major building materials, such as steel reinforcements, portland cement, and diesel fuel for industrial use increased by about 8.8%, 19.6% and 9.0% respectively from 2009 to 2013. Apart from the rising costs of building materials, there was also an increase in the labour cost. The average wage of a construction worker in Hong Kong per hour grew by about 20.9% from 2009 to 2013. The increase in building material prices and wages increases the total construction costs and may decrease the gross margin of construction contractors.

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Rising labour costs in the Hong Kong's construction industry has been and will continue to be the predominant factors affecting the construction industry as the rising labour costs affect the profit margin of the contractors. The average wage of a construction worker in Hong Kong increased from around HK\$61.8 per hour to around HK\$74.7 per hour, at a CAGR of about 4.8%. The average wage of a construction worker per hour in Hong Kong is expected to surge in the next few years. It is attributable to the stable demand for construction workers in Hong Kong while many skilled construction workers are approaching retirement age, and there is not many young people willing to join the construction industry. Moreover, the strong demand for and investment in construction industry in both mainland China and Macau has attracted the skilled labours and professional talents from Hong Kong's construction industry. Increasing shortage of skilled labours and professional talents in Hong Kong may become a threat to the construction industry in Hong Kong. Rising labour costs will also drive sub-contracting costs as well as the total costs of the construction industry.

Foundation works — rising construction costs

- Similar to the overall construction industry in Hong Kong, foundation contractors have to face the increasing construction costs. The costs of major building materials for foundation works, such as portland cement and diesel fuel for industrial use increased at a CAGR of about 4.6% and 2.2% respectively from 2009 to 2013. The increase in cost of materials for foundation works, coupled with the rising wages of foundation workers have increased the total construction costs for foundation contractors and may squeeze the gross margin of foundation contractors in Hong Kong.

Civil engineering works — insufficient experienced and skilled labours

- Civil engineering sector involves port works, roads and drainage, site formation, and water works that civil engineering contractors have to possess such specialist knowledge. However, due to the declining number of young people entering the construction industry, including the civil engineering industry, insufficient experienced and skilled labour threatens the development of civil engineering industry in Hong Kong.

General building works — competitions with local and foreign general building contractors

- The general building sector in Hong Kong is competitive that the general building contractors in Hong Kong have to compete with both local and foreign general building contractors. It is because there are no formal restrictions for foreign general building contractors to enter to the Hong Kong's private general building sector. Moreover, both local and foreign general building contractors can tender for projects in public sector as long as they have adequate financial capability, licences as well as good track record.

HONG KONG LAWS

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

Laws and regulations in relation to the contractor licensing regime

Buildings Ordinance

Under the current contractors registration system in Hong Kong, a contractor carrying out private sector works must be registered with the Buildings Department either as general building contractor, specialist contractor or minor works contractor. The registration of specialist contractors is categorised by specialisation in demolition works, foundation works, site formation works, ventilation works and ground investigation field works. 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.

Set out below are the requirements to register as a general building contractor, specialist contractor in foundation works, specialist contractor in site formation works and specialist contractor in ground investigation field works under the Buildings Ordinance.

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

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

In considering each application, the Building Authority is to have regard to the qualifications, competence and experience of the following key personnel of the applicant:

- a. a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as an ‘Authorised Signatory’;
- b. for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as a ‘Technical Director’ who is authorised by the board to:
 - i. have access to plant and resources;

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- ii. provide technical and financial support for the execution of building works and street works; and
 - iii. make decisions for the company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
- c. for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works — an ‘Other Officer’ authorised by the board of directors to assist the Technical Director.

Set out below are the Technical Directors and Authorised Signatories of our Group:

Qualification	Technical Director	Authorised Signatory
NC Foundation		
Registered General Building Contractor	Mr. Kwan Mr. So Kin Shing	Mr. Kwan Mr. So Kin Shing
Registered Specialist Contractor in foundation works category	Mr. Kwan Mr. So Kin Shing	Mr. Kwan
Registered Specialist Contractor in site formation works category	Mr. Kwan Mr. So Kin Shing	Mr. Kwan
NC Engineering		
Registered Specialist Contractor in site formation works category	Mr. Lee Siu Lam	Mr. Lee Siu Lam

Registered General Building Contractor

Both Mr. Kwan and Mr. So Kin Shing (“Mr. So”) are the Technical Director (“TD”) and the Authorised Signatory (“AS”) of NC Foundation for its qualification of the Registered General Building Contractor. If any one of them resigns or retires, the compliance with the relevant requirements under the Buildings Ordinance can be maintained by the other alternate TD or AS. Immediate steps to arrange for a replacement of the alternate TD or AS will be taken upon the resignation or retirement of either TD or AS.

Registered Specialist Contractor in foundation works category

Both Mr. Kwan and Mr. So are the TD of NC Foundation for its qualification of the Registered Specialist Contractor in foundation works category. If any one of them resigns or retires, the compliance with the relevant requirements under the Buildings Ordinance can be maintained by the other alternate TD. Immediate steps to arrange for a replacement of the alternate TD will be taken upon the resignation or retirement of either TD.

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Mr. Kwan is also the AS of NC Foundation for its qualification of the Registered Specialist Contractor in foundation works category. Steps have been taken by our Group to add another alternate AS to maintain the compliance with the relevant requirements under the Buildings Ordinance on a continuing basis. It is expected that the approval for the relevant applications will be obtained in the fourth quarter of 2014.

Registered Specialist Contractor in site formation works category

Both Mr. Kwan and Mr. So are the TD of NC Foundation for its qualification of the Registered Specialist Contractor in site formation works category. Mr. Lee Siu Lam Anderson (“**Mr. Lee**”) is the TD of NC Engineering for its qualification of the Registered Specialist Contractor in site formation works category.

Mr. Kwan is the AS of NC Foundation for its qualification of the Registered Specialist Contractor in site formation works category. Mr. Lee is the AS of NC Engineering for its qualification of the Registered Specialist Contractor in site formation works category. Steps have been taken by our Group to add another alternate AS for both NC Foundation and NC Engineering to maintain the compliance with the relevant requirements under the Buildings Ordinance on a continuing basis. It is expected that the approval for the relevant applications will be obtained in the fourth quarter of 2014.

After the appointment of the additional AS for NC Foundation and NC Engineering as mentioned above, our Group intends to apply for sharing of Authorised Signatory/ Technical Director/Other Officers among a holding company and its subsidiary companies under Appendix L of the Practice Note for Registered Contractors No. 38 published by the Buildings Department in the fourth quarter of 2014. It is expected that the approval for the relevant application will be obtained in the fourth quarter of 2014. Upon approval of such application, NC Foundation and NC Engineering will share (i) Mr. Kwan, Mr. So and Mr. Lee as their TD, and (ii) Mr. Kwan, Mr. Lee and those additional AS as their AS for their respective qualification of the Registered Specialist Contractor in site formation works category.

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

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

The Buildings Department imposes specific requirements on the directors of a contractor and the person appointed by the contractor to act for it for the purposes of the Buildings Ordinance. A director or a person appointed by the contractor who fails to discharge any of the specified duties is subject to inquiry by the disciplinary board. The

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disciplinary board may order that (i) the name of the director or person be removed from the relevant register; (ii) the director or person be fined a sum up to HK\$250,000; and (iii) the director or person be reprimanded.

Certain aspects concerning the administration of the Buildings Ordinance or various types of works are further governed and regulated by the subsidiary regulations under the Buildings Ordinance and/or practice notes issued by the Buildings Authority from time to time. Subsidiary regulations under the Buildings Ordinance include Building (Administration) Regulations, Building (Construction) Regulations, Building (Demolition Works) Regulations, Building (Escalators) Regulations, Building (Lifts) Regulations, Building (Planning) Regulations, Building (Private Streets and Access Roads) Regulations, Building (Refuse Storage and Material Recovery Chambers and Refuse Chutes) Regulations, Building (Standards of Sanitary Fitments, Plumbing, Drainage Works and Latrines) Regulations, Building (Ventilating Systems) Regulations, Building (Oil Storage Installations) Regulations, Building (Appeal) Regulation, Building (Energy Efficiency) Regulation, Building (Minor Works) Regulation, Building (Inspection and Repair) Regulation and Building (Minor Works) (Fees) Regulation.

Private sector foundation and site formation projects

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

In order to undertake private sector foundation and site formation works as main contractor, a contractor must be registered with the Buildings Department as a registered specialist contractor under the categories of foundation works and site formation works, unless the main contractor sub-contracts those works to a registered specialist contractor as described below.

Where the main contractor engages a registered specialist contractor under the categories of foundation works and site formation works to undertake foundation and site formation works, irrespective of whether such foundation and site formation works form the whole or part of the contract works, the main contractor itself would not be required to be a registered specialist contractor under the relevant category.

Sub-contractors undertaking foundation and site formation works are required to be registered specialist contractors under the categories of foundation works and site formation works.

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

Public sector foundation projects

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

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

Development Bureau projects

If a contractor wishes to carry out public land piling works of the Development Bureau, it must be included in either “Group I” or “Group II” of the Approved Specialist List which is administered by WBDB under the category of “Land Piling” in respect of the relevant piling system. The scope of work in this category covers design, supply and installation of registered piling systems on land. Approved Specialist List Group II Land Piling contractors can undertake foundation contracts/sub-contracts of unlimited value.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For retention on the Approved Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group.

In granting a registration/approval to a foundation contractor, WBDB takes into consideration, among others, (a) the contractor’s financial strength; (b) the contractor’s technical experience and management capability; (c) the machinery and equipment maintained by the contractor; and (d) the job references from customers.

For promotion and retention as an approved contractor on the Approved Specialist List (Group II — Land Piling category — “Large Diameter Bored Pile” system, “Steel H-pile” system, “Rock-socketed Steel H-pile in Pre-bored Hole” system and “Mini-pile” system), our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

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

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b. Minimum working capital

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

c. Minimum technical and management criteria/other requirements

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

The plant and equipment requirements are subject to modification as technology advances and as new plant emerges. Furthermore, the type of materials and method of application that the contractors select will dictate the plant required.

- vii. Office/workshop facilities: local office required and yard facilities available.
- viii. Others: Piling system to be registered: (1) method statement; (2) typical calculations; (3) acceptable references; and (4) satisfactory demonstration on site.

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Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, NC Foundation has met the criteria and requirements on retention on the Approved Specialist List that are applicable to NC Foundation.

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

Housing Authority projects

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

1. Large diameter bored piling category; and
2. Percussive piling category.

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

A contractor shall possess ISO 9001, ISO 14001, ISO 5001 and OHSAS 18001 certificates with respect to its own category. The minimum scope of certification for percussive piling category is to carry out the construction of percussive piles. A contractor shall also meet the minimum requirements set out by the Housing Authority regarding, among others, (i) work experience; (ii) financial capability; (iii) number, qualifications and experience of full-time staff to be employed for admission/retention on the Housing Authority List of Piling Contractors; and (iv) plant and machinery.

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

Public sector roads and drainage and site formation projects

Set out below are the requirements for an approved contractor under the categories of roads and drainage works and site formation works to undertake roads drainage work and site formation work projects of the Development Bureau and the Housing Authority:

Development Bureau projects

The WBDB maintains a List of Approved Contractors for Public Works comprising contractors who are approved for carrying out public works in roads and drainage as well as site formation. Contractors within each category are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender. A contractor's status in a particular group will be either probationary or confirmed.

The value upon which contracts are grouped is based on the value of the tendered sum offered by the successful tenderer. The Group Tender Limits are periodically adjusted and are currently set as follows:

Group A — contracts of value up to HK\$75 million.

Group B — contracts of value up to HK\$185 million.

Group C — contracts of any values exceeding HK\$185 million

Group C contractors will normally not be allowed to tender for contracts in Groups A and B.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For retention on the List of Approved Contractors, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group.

In granting a registration/approval to either a roads and drainage or site formation contractor, WBDB takes into consideration, among others, (a) the contractor's financial strength; (b) the contractor's technical experience and management capability; (c) the machinery and equipment maintained by the contractor; and (d) the job references from customers.

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For promotion and retention as an approved contractor on the List of Approved Contractors under the roads and drainage Group B (confirmed) category, our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

HK\$10.1 million plus HK\$5.8 million for every HK\$86 million of annualised outstanding works or part thereof above HK\$150 million, subject to a maximum of HK\$21.7 million.

b. Minimum working capital

HK\$10.1 million or 10% on annualised outstanding works, whichever is higher.

c. Minimum technical and management criteria/other requirements

- i. satisfactory completion as the main contractor of one Government or non-Government roads and drainage works contract executed in Hong Kong within the past five years, after inclusion in the Group B on probation, of value over 70% of the Group B limit.
- ii. Top management: at least one member of the resident top management with a minimum of three years local experience in managing a construction firm obtained in the past five years.
- iii. Technical staff: at least one person with either a Higher Certificate in Civil Engineering with two years, or an Ordinary Certificate in Civil Engineering with three years local working experience in the same category from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent. Top management shall be the president, chairman, director, managing director, executive director or general manager, etc.

For entry on probation as an approved contractor on the List of Approved Contractors under the site formation Group B (on probation) category, our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

HK\$4.9 million plus HK\$2.9 million for every HK\$43 million of annualised outstanding works or part thereof above HK\$73 million, subject to a maximum of HK\$10.6 million.

b. Minimum working capital

HK\$4.9 million or 10% on annualised outstanding works, whichever is higher.

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- c. Minimum technical and management criteria/other requirements
 - i. satisfactory completion of one site formation works contract within the past five years. The contract shall be of value over 50% of the Group B limit and shall involve earthworks quantity not less than 50,000m³.

Note: Requirements of top management and technical staff are exactly the same as for confirmed category above.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, each of NC Foundation and NC Engineering has met the criteria and requirements on retention on the List of Approved Public Works Contractor and the Approved Specialist List that are applicable to each of NC Foundation and NC Engineering.

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

Public sector LPM projects

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

Set out below are the further requirements for a registered specialist contractor under the LPM category to undertake LPM projects of the Development Bureau and the Housing Authority:

Development Bureau projects

If a contractor wishes to carry out LPM works of the Development Bureau, it must be included in the Approved Specialist List which is administered by WBDB under the category of LPM.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For retention on the Approved Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group.

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In granting a registration/approval to a LPM contractor, WBDB takes into consideration, among others, (a) the contractor's financial strength; (b) the contractor's technical experience and management capability; (c) the machinery and equipment maintained by the contractor; and (d) the job references from customers.

For retention as an approved contractor on the Approved Specialist List (LPM category), our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

HK\$8.6 million plus a minimum annual turnover of HK\$50 million in each of the immediate past three years.

b. Minimum working capital

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

c. Minimum technical and management criteria/other requirements

- i. a registered specialist contractor in the site formation works sub-register under the Buildings Ordinance.
- ii. possess the relevant Quality Management System certificates issued under the rules of the HKCAS operated by the Hong Kong Accreditation Service, i.e. bearing the HKCAS Accreditation Mark, and Quality Management System certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the Environment, Transport and Works Bureau. The scope of certification shall be relevant to the application.
- iii. Top management: at least one full-time member of management level staff with a minimum of five years local experience in managing a construction firm obtained in the past ten years.
- iv. Professional staff: at least one full-time member of staff with a relevant degree from a Hong Kong university or equivalent with at least five years local experience in site formation or LPM-type works.
- v. Technical staff: at least one full-time member of staff with an Ordinary Certificate in Civil Engineering and with a minimum of three years local experience in site formation or LPM-type works.
- vi. Safety staff: one registered safety officer.

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- vii. Job experience: to be assessed by the WBDB based on a complicated aggregate scoring system considering the contractor's experience and performance on Government contracts under the Roads and Drainage and/or Site Formation categories in the past three years together with the contractor's experience and performance on LPM in areas immediately behind occupied structures, adjacent railway lines or public roads in the past three years.
- viii. Plant and equipment: appropriate equipment including drilling rig for soil nails, grout pump, shotcrete machine, excavator, hydraulic breaker, pneumatic drill, roller, crane truck, air compressor and generator (at least seven types).
- ix. Office/workshop facilities: set up a place of business in Hong Kong.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, NC Engineering has met the criteria and requirements on retention on the Approved Specialist List that are applicable to NC Engineering.

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

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

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

For instance, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category) of the contractor's licence, depending on the seriousness of the incident triggering the regulatory actions.

Laws and regulations in relation to construction labour, health and safety

FIU Ordinance

The FIU Ordinance provides for the safety and health protection to workers in the industrial undertakings. Under the FIU Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by 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 arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy working environment.

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

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:

- provision and maintenance of plant and systems of work that are safe and without risks to health;
- making of arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer's control:
 - maintenance of the workplace in a condition that is safe and without risks to health; and
 - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;

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- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- provision and maintenance of a working environment for the employer's employees that is safe and without risks to health.

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

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

Employees' Compensation Ordinance

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

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

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

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$100 million per event (where the number of employees in relation to who the policy is in force does not

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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 its liability and that of its sub-contractor(s) under the Employees' Compensation Ordinance and at common law.

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

Employment Ordinance

A principal contractor is subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance. Under section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior sub-contractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior sub-contractor (where applicable) is limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due). An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the principal contractor.

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

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

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.

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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

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

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

Minimum Wage Ordinance

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$30 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

Laws and regulations in relation to environmental protection

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 without limitation the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air Pollution Control (Smoke) Regulations. The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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 and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of Environmental Protection in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

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

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

Water Pollution Control Ordinance

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

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

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Waste Disposal Ordinance

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

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

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

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

Dumping at Sea Ordinance

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

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

Environmental Impact Assessment Ordinance

The purpose of the EIA 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

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of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted.

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

Compliance with relevant requirements

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

In addition, each of NC Foundation and NC Engineering has complied with the requirements for retention on the Specialist List during the Track Record Period and up to the Latest Practicable Date.

In order to ensure the ongoing compliance with the applicable requirements, laws and regulations, our administration department is responsible for the followings:

- a. to identify and review any approvals, permits, licences and certificates required for our Group's operations and to ensure compliance with relevant laws and regulations periodically;
- b. to check relevant requirements and to make necessary submission to upkeep our Group's licensing status;
- c. to identify any information which shall be provided for application/submission such as company profile, job experience, resources, financial information, management systems and certificates, technical proposal, schedule, customer satisfaction, etc;
- d. to keep update those information mentioned in (c) above to our clients when necessary;
- e. to designate suitable personnel/department to follow up the submission of the financial information to Development Bureau and Housing Authority within the time stipulated under the prevailing laws and regulations;

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- f. to identify the new requirements, operation and control procedures under statutory and regulations; and
- g. to brief the senior management for the news/update/revised requirements to ensure senior management keep update of the industry characteristic.

In addition, Mr. Kwan and Ms. Lai Mun Yee (being our executive Directors) and Mr. Chow Chi Keung (being our company secretary and financial controller), are responsible for the supervision of the ongoing compliance with applicable requirements, laws and regulations of our Group and we may also seek consultation from our legal advisers as when required and necessary.

Apart from preparation of financial statements on a yearly basis for submission to WBDB to demonstrate that each of NC Foundation and NC Engineering has sufficient employed capital and working capital for retention on the Approved Specialist List, the financial controller of our Group will also assess its level of employed capital and working capital every time prior to the submission of a tender for new project.

MACAU LICENSING AND REGISTRATION REGIME OF ENGINEERING AND CONSTRUCTION WORKS

In Macau, for purposes of the applicability of licensing and registration system, engineering and construction works are mainly divided into three categories: simple work for residential unit (家居簡單裝修工程), simple work for non residential unit (非家居簡單裝修工程) and non-simple work (非簡單裝修工程). To classify the work is simple or not, generally speaking, it depends on whether alteration of interior division or usage of the unit involved.

However, to commence any construction works in Macau, it is required to obtain work licence (for non-simple work) with respect to each project. As for construction work to be taken place in a non-residential unit or fitting-out work which is not a simple one, such notification or application for work licence has to be submitted together with a declaration of responsibility signed by an individual or company registered arising from such fitting-out work and purchase the required insurance of industry accident and occupational disease.

A contractor (whether or not it is incorporated in Macau) carrying out engineering and construction works is required to obtain a work licence (for non-simple work) and register with the Land, Public Works and Transport Bureau of Macau (澳門土地工務運輸局) before the works start.

It provides that the construction company to commence the non-simple work and simple work for non-residential unit must be registered by the Land, Public Works and Transport Bureau of Macau in order to do any construction works in Macau, and the registration shall be renewed annually. If the main contractor has obtained such licence from the said Bureau for the relevant works, sub-contractor(s) (including those incorporated in Hong Kong) as appointed by such main contractor are not required to obtain any licence from the relevant Macau authorities.

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LAWS AND REGULATIONS IN RELATION TO LABOUR RELATED MATTERS IN MACAU

The legal regime in relation to labour matters in Macau is established mainly based on the following legislations:

18th October — Decree Law No. 58/93/M (approval of the social security regime), partially revoked by 2nd of April 2007 — Administrative Regulation No. 6/2007, 27th of October 2009 — Law No. 21/2009, and 23rd of August 2010 — Law No. 4/2010;

14th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases) partially amended by 13th of August 2001 — Law No. 12/2001, 20th November 2006 — Executive Order No. 48/2006 (partially revoked by Executive Order No. 41/2008 and Executive Order No. 48/2007), 17th of December 2007 — Law No. 6/2007, and 13th of September 2009 — Executive Order No. 89/2010;

27th of July — Law No. 4/98/M (Framework Law on Employment Policy and Worker's rights), amended by 27th of October 2009 — Law No. 21/2009 (Law of hiring non-resident workers);

2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion), amended by 27th of October 2009 — Law No. 21/2009 (Law of hiring non-resident workers); and

27th of October — Law No. 21/2009 (Law of hiring non-resident workers) amended by 23rd of August 2010 — Law No. 4/2010 (approval of social security regime) and 15th of April 2013 — Law No. 4/2013.

The legal regime of labour matters in Macau is developed based on 27th of July — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) which prescribes general principles and directions of labour legislations in different aspects.

Besides the above legislations, 18th of August — Law No. 7/2008 (Labour Relation Law) plays an important role in labour legal regime which came into force since 1 January 2009 replacing the "old labour law" — 3rd of April — Decree-Law No. 24/89/M (Labour Relations, Juridical System). It stipulates the basic requirements and conditions for all labour relations, except for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be prevailed by mutual agreement. In addition, all the working conditions of labour relations should not be lower than the basic conditions stipulated therein.

As an employer, a contractor (whether or not it is incorporated in Macau) shall have to comply with the conditions prescribed under 22nd of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees. Otherwise, fines of up to MOP\$30,000 and

LAWS AND REGULATIONS

precautionary measures will be imposed according to 18th of February — Decree Law No. 13/91/M (determination of sanctions for the non-compliance of general regulation of working safety and hygiene of office, service and commercial establishments).

As stipulated under Law No.4/2010 (approval of social security regime) and 14th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), a contractor (whether or not it is incorporated in Macau) has to participate and contribute to the mandatory social security funds and to purchase compulsory industrial accident insurance for its Macau employees in accordance with relevant applicable legislation, otherwise, an administrative fine of up to MOP\$1,000 and MOP\$5,000, respectively will be charged as legal sanction.

All employees of a contractor (whether or not it is incorporated in Macau) who works in Macau have to be Macau residents, non-permanent or permanent, or to be holders of working permits in case of foreign workers. Except for situations stated under 14th of June — Administrative Regulation No. 17/2004 partially revoked by Law 21/2009 (Regulation on Prohibition of Illegal Work) with a very limit scope, workers other than those abovementioned will be considered as illegal workers in Macau and the employers will be criminally liable under 2nd of August — Law No. 6/2004, altered by Law 21/2009 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine of up to MOP\$20,000.00 per employee under the above-mentioned administrative regulation.

In relation to the issue of illegal workers in Macau, only the party who is directly responsible for the employment of illegal workers in Macau shall have criminal or administrative liability under Macau laws.

The regulatory authorities in charge of labour safety, social security regime and insurance matters are the Labour Department of Macau (澳門勞工事務局), Social Security Fund of Macau (澳門社會保障基金) and Monetary Authority of Macau (澳門金融管理局) respectively.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTIONS IN MACAU

The fundamentals of the legal regime of safety and environmental laws of Macau, which are applicable to every individual and corporate entity, are the Basic Law of Macau, the Law No. 2/91/M of 11th of March which is known as the organic environmental law of Macau (the “Macau Environmental Law”), 14 of November — Decree Law 54/94/M regarding prevention and control of ambient noise (“Law of Prevention and Control of Ambient Noise”) and series of international conventions in related fields applicable in Macau.

Article 119 of the Basic Law of Macau states that “*The Macau Special Administrative Region shall carry out the protection of environment in accordance with law*”. To implement this article together with the Macau Environmental law, Law of Prevention and Control of Ambient Noise and other applicable international conventions, numbers of environmental

LAWS AND REGULATIONS

legislations in form of law, decree law and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods.

As a general rule prescribed in the Macau Environmental Law, any violation of the environmental legislations will subject the infringing party to civil liability, administrative fine or criminal punishment, depend on different violations. Administrative injunction may also be granted to stop the environmental infringement.

Besides, according to the Law of Prevention and Control of Ambient Noise, any work which may produce annoying noise is forbidden to be conducted during whole day of Sunday and public holiday and between 8:00 p.m. – 8:00 a.m. (next day) of weekday.

The regulatory authority in charge of environmental protection matters is the Environmental Protection Bureau of Macau (澳門環境保護局).

APPROVALS

In preparing for the Share Offer, we will undergo the Reorganisation. Please refer to the paragraph headed “A. Further information about our Company and our Group — 4. Corporate reorganisation” in Appendix IV to this prospectus for details. As confirmed by our Hong Kong legal advisers, the Reorganisation complies with the relevant laws and regulations.

Save for the sole Shareholder’s approval as set out in the paragraph headed “A. Further information about our Company and our Group — 3. Written resolutions of our sole Shareholder passed on 26 August 2014” in Appendix IV to this prospectus, we are not required to obtain any other regulatory and/or Shareholders’ approvals for the Reorganisation and the Listing.

HISTORY AND CORPORATE STRUCTURE

OUR HISTORY

Our Company was incorporated in the Cayman Islands with limited liability on 3 April 2014. Our Group completed the Reorganisation on 13 August 2014 in preparation for the Listing pursuant to which (among others) our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “A. Further information about our Company and our Group — 4. Corporate reorganisation” in Appendix IV to this prospectus.

Our Group is principally engaged in foundation, civil engineering and general building works in Hong Kong. Our history can be traced back to 1996 when Mr. Chu founded NC Engineering. Prior to NC Engineering’s incorporation, Mr. Chu was in the construction industry for at least seven years. After saving up for several years and with a view to engaging in construction works of larger scale, Mr. Chu established NC Engineering, which first commenced its business in civil engineering by entering into a sub-contract with a major construction company in Hong Kong in April 1997. Brief biographical details of Mr. Chu are set out in the paragraph headed “Directors, senior management and employees — Directors — Executive directors” of this prospectus.

Set forth below is a chronological overview of the key business milestones of our Group:

- | | |
|------------------------|--|
| July to September 1996 | NC Engineering was incorporated in Hong Kong with Mr. Chu indirectly holding approximately 99.99% of its share capital. |
| April 1997 | NC Engineering commenced business by entering into its first sub-contract in relation to civil engineering works with a major construction company in Hong Kong. |
| September 1997 | NC Foundation was incorporated in Hong Kong and Mr. Chu indirectly held approximately 19.99% of its share capital in October 1997. Mr. Kwan was also interested in about 10.5% equity interest in NC Foundation at such time. |
| August 1998 | NC Foundation was included in the land piling category Group II in the Approved Specialist List. |
| May 1999 | Mr. Chu became the majority shareholder of NC Foundation, holding approximately 66.99% attributable interest in its share capital. |
| June 2000 | NC Engineering was included in the roads and drainage category Group B (on probation) and site formation category Group B (on probation) in the Approved Public Works Contractors List and the LPM category (on probation) in the Approved Specialist List, and commenced bidding for public works as main contractor. |

HISTORY AND CORPORATE STRUCTURE

August 2000	NC Foundation was included in the Register of Specialist Contractors of the Buildings Department in the site formation works category.
September 2000	NC Foundation was included in the List of Piling Contractors of Hong Kong Housing Authority in percussive piling category (on probation).
July 2003	NC Foundation was included in the Register of General Building Contractors of the Buildings Department.
February 2004	NC Engineering completed its first public works project in roads and drainage category for the construction of a pedestrian footbridge in Central linking up the Worldwide House and the Exchange Square across Connaught Road Central (HY/2000/14).
March 2004	NC Engineering completed its first public works main contract in LPM category for execution of 10-Year Extended Landslip Preventive Measures Project, Phase 2, Package 1 — Batch B (GE/2000/14).
October 2005	NC Engineering was included in the Register of Specialist Contractors of the Buildings Department in the site formation works category.
August 2006	NC Engineering was confirmed in the roads and drainage category Group B in the Approved Public Works Contractors List.
April 2008	NC Foundation was accredited ISO 14001:2004.
June 2008	NC Engineering was confirmed in the LPM category in the Approved Specialist List.
April 2010	NC Engineering was accredited ISO 14001:2004.
November 2011	NC Foundation completed the project for the construction of steel tubular piles for Kai Tak Cruise Terminal Development Project.
April 2014	NC Foundation was accredited ISO 50001:2011.

HISTORY AND CORPORATE STRUCTURE

Details of the licences and awards of our Group are set out in the paragraph headed “Business — Major qualifications, certifications, awards and compliance” of this prospectus.

Our Company has two indirectly wholly-owned subsidiaries incorporated in Hong Kong, namely NC Engineering and NC Foundation, which are the operating subsidiaries of our Group. Set out below is their respective corporate history.

OUR OPERATING SUBSIDIARIES

NC Engineering

On 30 July 1996, NC Engineering was incorporated in Hong Kong as a limited liability company with an issued share capital of HK\$2 divided into 2 ordinary shares of HK\$1 each, with one ordinary share issued to each of the two initial subscribers, namely K.M.L. Consultants Limited (“K.M.L.”), an Independent Third Party and Fancy Link Development Limited (“Fancy Link”), an Independent Third Party.

On 11 September 1996, (i) Mr. Chu acquired one ordinary share of NC Engineering from K.M.L. at the consideration of HK\$1 (which was equivalent to the par value of the share transferred); (ii) New Concepts Builders Limited (“NC Builders”) acquired one ordinary share of NC Engineering from Fancy Link at the consideration of HK\$1 (which was equivalent to the par value of the share transferred); and (iii) 98 ordinary shares of NC Engineering were allotted and issued to Mr. Chu for cash at par. Upon completion of the above share transfers and allotment of shares, NC Engineering was owned as to 99% by Mr. Chu and 1% by NC Builders (which was in turn owned as to 99.9995% by Mr. Chu and 0.0005% by Ms. Chiu Kwai Mui (alias Chiu Tze Ting, Debby, “Ms. Chiu”), an Independent Third Party (other than being an ex-employee of Man Wah Equipment Limited (formerly known as Man Wah New Concepts Equipment Limited) (“MW Equipment”) and NC Foundation). MW Equipment was wholly-owned by Mr. Chu prior to January 2014, when Mr. Chu transferred his entire shareholding interest in the company to Mr. Chiu Kwai Hung, an Independent Third Party (other than being an ex-employee of NC Foundation). There were times when Ms. Chiu was both the shareholder of NC Engineering and an employee of MW Equipment and/or NC Foundation. Mr. Chiu Kwai Hung is a family relative of Ms. Chiu.

From September 1996 and up to October 2005 when NC Foundation acquired NC Engineering from Mr. Chu, Mr. Chu was the controlling shareholder of NC Engineering, beneficially holding at least 66% shareholding interest in NC Engineering (either directly or indirectly through his controlling interest in other companies). The minority shareholders of NC Engineering at such relevant times were ex-employees of MW Equipment and/or NC Foundation. There were times when those minority shareholders were both shareholders of NC Engineering and employees of MW Equipment and/or NC Foundation.

On 7 October 2005, NC Foundation acquired approximately 99.99% shareholding interest in NC Engineering from Mr. Chu at a nominal consideration of HK\$1.00. The share transfer was conducted for internal reorganisation purpose. Immediately following completion of the share transfer, NC Engineering was owned as to approximately 99.999%

HISTORY AND CORPORATE STRUCTURE

(4,499,949 ordinary shares) by NC Foundation and approximately 0.001% (51 ordinary shares) by NC International, respectively. At the material time, NC Foundation was owned as to 68% and 32% by Commercial Holdings Limited (“Commercial Holdings”) and NC International, respectively, of both of which Mr. Chu was the majority shareholder. For further details of the shareholding structure of NC Foundation at such time, please refer to the paragraph headed “NC Foundation” below.

As at the commencement date of the Track Record Period, NC Engineering had a share capital of HK\$8,600,000 divided into 8,600,000 ordinary shares, which were owned as to approximately 99.99% (8,599,949 ordinary shares) by NC Foundation and approximately 0.0005% (51 ordinary shares) by NC International (a private investment vehicle solely owned by Mr. Chu at the material time). For further details of the shareholding structure of NC Foundation at such time, please refer to the paragraph headed “NC Foundation” below.

On 11 November 2013, NC Foundation was allotted and issued 1,500,000 ordinary shares of NC Engineering for cash at par at the subscription price of HK\$1,500,000 in aggregate. This increase in share capital was made in order to meet WBDB’s requirements for higher working capital. Upon completion of the aforesaid allotment, NC Engineering had a share capital of HK\$10,100,000 divided into 10,100,000 ordinary shares, which were owned as to approximately 99.99% (10,099,949 ordinary shares) by NC Foundation and approximately 0.0005% (51 ordinary shares) by NC International (a private investment vehicle solely owned by Mr. Chu at the material time). For further details of the shareholding structure of NC Foundation at such time, please refer to the paragraph headed “NC Foundation” below.

For further changes which were made in connection with the Reorganisation in the shareholding of NC Engineering after the above allotment of shares, please refer to the paragraph headed “A. Further information about our Company and our Group — 4. Corporate reorganisation” in Appendix IV to this prospectus.

NC Foundation

On 10 September 1997, NC Foundation (formerly named as Geoworks Foundation Limited) was incorporated in Hong Kong as a limited liability company with an issued share capital of HK\$2 divided into 2 ordinary shares of HK\$1 each, with one ordinary share issued to each of the two subscribers, namely EMH International Company Limited (“EMH International”), an Independent Third Party, and EMH Corporate Services Limited (“EMH Corporate”), an Independent Third Party.

On 3 October 1997, (i) Mr. Heung Che Kan (“Mr. Heung”), an Independent Third Party (other than being Mr. Chu’s and Mr. Kwan’s then business partner), acquired one ordinary share of NC Foundation from EMH International at the consideration of HK\$1 (which was equivalent to the par value of the share transferred); (ii) Mr. Chan Ping On, an Independent Third Party (other than being Mr. Chu’s and Mr. Kwan’s then business partner), acquired one ordinary share of NC Foundation from EMH Corporate at the consideration of HK\$1 (which was equivalent to the par value of the share transferred); and (iii) 2,449 ordinary shares, 2,449 ordinary shares, 1,050 ordinary shares, 1,050 ordinary

HISTORY AND CORPORATE STRUCTURE

shares and 3,000 ordinary shares of NC Foundation were allotted and issued to Mr. Heung, Mr. Chan Ping On, Mr. Kwan, All Base Holdings Limited (“All Base”) (see note below), and Commercial Holdings (by pre-incorporation subscription for shares as Commercial Holdings was incorporated only on 6 October 1997), respectively for cash at par. Immediately following completion of the above share transfers and allotments of shares, NC Foundation had an issued share capital of HK\$10,000 divided into 10,000 ordinary shares, which were owned as to 24.5% (2,450 ordinary shares) by Mr. Heung, 24.5% (2,450 ordinary shares) by Mr. Chan Ping On, 10.5% (1,050 ordinary shares) by Mr. Kwan, 10.5% (1,050 ordinary shares) by All Base and 30% (3,000 ordinary shares) by Commercial Holdings, respectively.

At the material time, Mr. Heung, Mr. Chan Ping On and Mr. Kwan were common directors and shareholders of Geoworks Holdings Limited, Geoworks Construction Company Limited, Geoworks Equipment Company Limited, Geoworks Contractors (HK) Limited and NC Foundation (at that time named as Geoworks Foundation Limited). All these companies (except for NC Foundation) were owned as to 15% by All Base (see note below for shareholdings of All Base at that time), 35% by Mr. Heung, 35% by Mr. Chan Ping On and 15% by Mr. Kwan. NC Foundation was the only company which held a foundation licence among these companies. For further details of Mr. Kwan’s involvement as director in Geoworks Holdings Limited and those fellow companies, please refer to his biography set out in paragraph headed “Directors, senior management and employees — Executive Directors” in this prospectus.

On 6 October 1997, Commercial Holdings was incorporated. On the same date, Ms. Chiu (who was the registered holder of 99.99% shareholding interest in Commercial Holdings at the material time) made a declaration of trust, declaring that she held her 99.99% shareholding interest in Commercial Holdings on trust for NC Engineering (which was then beneficially owned as to approximately 66% by Mr. Chu, approximately 33.33% by Mr. Chan Ping Kay, an Independent Third Party (other than being an ex-employee of MW Equipment) and approximately 0.67% by NC Builders (which was in turn owned as to 99.9995% by Mr. Chu and 0.0005% by Ms. Chiu at the material time) respectively). Pursuant to such trust, Mr. Chu was beneficially interested in NC Foundation as to approximately 19.99% through his shareholding interest in NC Engineering. Since then and up to 14 May 1999, Mr. Chu was a substantial shareholder of NC Foundation, holding approximately 19.99% to approximately 23% attributable interest in NC Foundation indirectly through his shareholding interest in other companies or by way of trust arrangements. Mr. Kwan was also a shareholder of NC Foundation during such period, holding approximately 9.9% attributable interest in NC Foundation either directly or indirectly through his shareholding interest in other companies.

Note: At the time when NC Foundation was incorporated and up to July 1999, All Base was owned as to 70% by Lee Boon Kwee and 30% by Lee Yun Kim, both being Independent Third Parties and the only two directors of All Base. In July 1999, they transferred their shares in All Base to Mr. Kwan and Mr. Heung and upon completion of such transfer All Base was owned as to 99.9% by Mr. Heung and 0.1% by Mr. Kwan. Since then, Mr. Heung and Mr. Kwan also became the only two directors of All Base. At such time, All Base held 9.9% attributable interest in NC Foundation (through its shareholdings in NC Contractors). In August 1999, All Base transferred all its shareholding in NC Contractors to Commercial Holdings and since then All Base ceased to have any interest in NC Foundation. At the material time, All Base was an investment holding company which held interest in NC Foundation, Geoworks Holdings Limited and its fellow companies as mentioned above.

HISTORY AND CORPORATE STRUCTURE

On 14 May 1999, Ms. Chiu transferred her legal title to 9,999 shares of Commercial Holdings to NC Engineering, which later on the same date transferred its legal title to the said 9,999 shares to Mr. Chu. On the same date, Mr. Chu acquired the beneficial interest in 9,999 shares of Commercial Holdings from NC Engineering at a consideration of HK\$9,999, which was determined with reference to the par value of HK\$1 per share. Immediately after completion of the said share transfers, Mr. Chu became the beneficial owner and legal holder of 9,999 shares (99.99%) of Commercial Holdings. At the material time, NC Foundation was owned as to approximately 99.99% by New Concept Contractors Limited (“NC Contractors”) (incorporated on 21 May 1997), which was in turn owned by Mr. Heung as to 23.1%, Chan Ping On as to 23.1%, Mr. Kwan as to 9.9%, All Base as to 9.9% and Commercial Holdings as to 34%, and as to approximately 0.01% by Mr. Kwan (who held the same on trust for NC Contractors). Immediately after Mr. Chu becoming the registered holder of 99.99% shareholding interest in Commercial Holdings, Mr. Chu became an indirect controlling shareholder and single largest shareholder of NC Foundation, holding approximately 33.99% shareholding interest in NC Foundation through his controlling interest in Commercial Holdings and NC Contractors.

At around the same time, Mr. Chu became interested in expanding his investment in NC Foundation which was an Approved Specialist Contractor registered with WBDB. He proposed to acquire additional equity interest in NC Contractors. In such connection, on 28 May 1999, Commercial Holdings (which was at the material time owned as to 99.99% by Mr. Chu) acquired 1,980 shares (9.9%) and 4,620 shares (23.1%) of NC Contractors from Mr. Kwan and Mr. Chan Ping On at the consideration of HK\$1,980 and HK\$4,620, respectively. Such amounts of consideration were determined with reference to the par value of HK\$1 per share and were settled in full in May 1999. The said transfers of shares were properly and legally completed and settled. Immediately after completion of the above share transfers, Mr. Chu’s attributable interest in NC Foundation increased to approximately 66.99%, through his shareholding interest in Commercial Holdings and NC Contractors (whereas All Base and certain Independent Third Parties who were business partners of Mr. Chu held 9.9% and 23.1% attributable interest in NC Foundation respectively).

As disclosed above, Mr. Heung, Mr. Chan Ping On and Mr. Kwan were once common directors and shareholders of Geoworks Holdings Limited and its fellow companies. Through certain share transfers in May 1999 (including those as mentioned in the above paragraph) and subsequent share transfers in August 1999, Mr. Heung, Mr. Chan Ping On and Mr. Kwan ceased to have any direct or indirect (i.e. through All Base for Mr. Heung and Mr. Kwan) equity interest in NC Foundation. All of them also resigned as directors from NC Foundation between July 1999 and March 2000. Since then, NC Foundation (at that time named as Geoworks Foundation Limited) has been independent from Geoworks Holdings Limited and its fellow companies. As the company has become part of our Group (which Mr. Chu intended to use “New Concepts” as the Group’s brand), in August 1999 it changed its name to “New Concepts Foundation Limited”. Geoworks Holdings Limited and certain of its fellow companies (not including NC Foundation) were wound up in between 2002 and 2005, which further details are set out in Mr. Kwan’s biography in the paragraph headed “Directors, senior management and employees — Executive Directors” in this prospectus.

HISTORY AND CORPORATE STRUCTURE

From December 1999 to October 2001, there were various share transfers in NC Foundation. Mr. Chu remained the ultimate majority shareholder of NC Foundation during such period, whereas all the then minority shareholders were the then employees of Mr. Chu or their relatives (including Mr. Kwan's daughter who from July 2000 to October 2001 held 16% shareholdings in NC Foundation). In October 2001, Mr. Chu intended to further expand his investment in NC Foundation. As such, through his investment vehicle NC International, he acquired 32% shareholdings in NC Foundation from the then minority shareholders at nominal price. Following completion of such acquisition, NC Foundation was owned as to 68% by Commercial Holdings and 32% by NC International. At such time, as both Commercial Holdings and NC International were owned as to 99.99% by Mr. Chu and 0.01% by Ms. Chiu, Mr. Chu held 99.99% attributable interest in NC Foundation.

In June 2009, (i) Commercial Holdings transferred its entire 68% interest in NC Foundation to Mr. Chu; and (ii) Ms. Chiu transferred her 0.01% interest in NC International to Mr. Chu, as such upon completion of such transfers, NC Foundation was owned as to 68% by Mr. Chu and 32% by NC International (which was wholly owned by Mr. Chu).

On 28 May 2010, Mr. Chu made a declaration of trust, pursuant to which 3,500,000 ordinary shares (25%) of NC Foundation were held on trust by him for Mr. Kwan. The total amount of consideration paid by Mr. Kwan to Mr. Chu for the transfer of the beneficial interest in the said 3,500,000 shares (25%) of NC Foundation was HK\$7,725,000, which was determined with reference to the net asset value of NC Foundation at that time and was fully settled by cheques in two instalments in June 2010 and December 2010, respectively. Such trust arrangement was adopted as a transitional arrangement in order to facilitate the transfer of minority ownership in NC Foundation to Mr. Kwan (who just rejoined our Group as a general manager in April 2010) in a gradual and orderly manner. Immediately following the making of the above declaration of trust by Mr. Chu, NC Foundation was legally held as to 68% (9,520,000 ordinary shares) by Mr. Chu and 32% (4,480,000 ordinary shares) by NC International (a private investment vehicle solely owned by Mr. Chu at the material time), respectively. Among the 9,520,000 shares held by Mr. Chu, 3,500,000 shares were held on trust by him for Mr. Kwan (representing 25% of the entire issued share capital of NC Foundation).

As at the commencement date of the Track Record Period, NC Foundation had a share capital of HK\$14,000,000 divided into 14,000,000 ordinary shares, which were legally owned as to 68% (9,520,000 ordinary shares) by Mr. Chu and 32% (4,480,000 ordinary shares) by NC International (a private investment vehicle solely owned by Mr. Chu at the material time). Among the 9,520,000 ordinary shares held by Mr. Chu, 3,500,000 ordinary shares were held by Mr. Chu on trust for Mr. Kwan (representing 25% of the entire issued share capital of NC Foundation).

On 21 November 2013, Mr. Chu transferred his legal title to 3,500,000 ordinary shares (25%) of NC Foundation, which he held on trust for Mr. Kwan, to Mr. Kwan at nil consideration.

HISTORY AND CORPORATE STRUCTURE

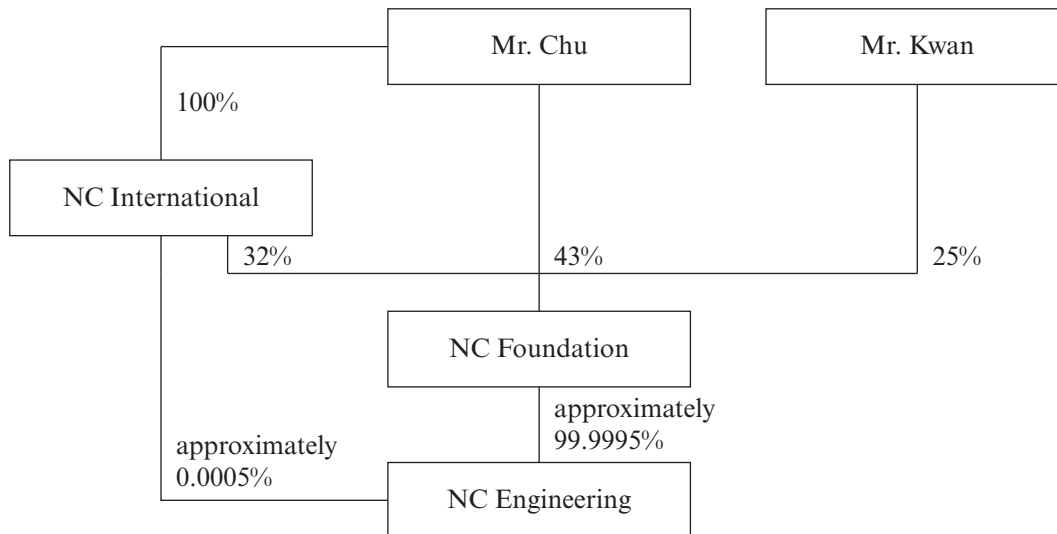
Immediately after completion of the aforesaid share transfer, NC Foundation had a share capital of HK\$14,000,000 divided into 14,000,000 ordinary shares, which were owned as to 43% (6,020,000 ordinary shares) by Mr. Chu, 25% (3,500,000 ordinary shares) by Mr. Kwan and 32% (4,480,000 ordinary shares) by NC International (a private investment vehicle solely owned by Mr. Chu at the material time), respectively.

For further changes which were made in connection with the Reorganisation in the shareholding of NC Foundation after the above share transfer, please refer to the paragraph headed “A. Further information about our Company and our Group — 4. Corporate reorganisation” in Appendix IV to this prospectus.

OUR GROUP STRUCTURE

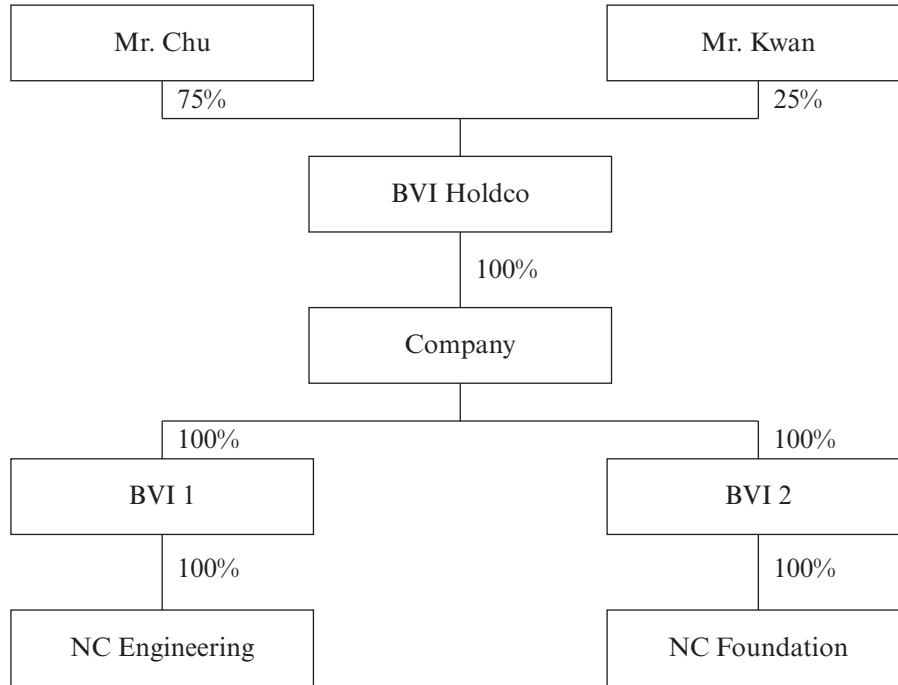
As part of the Reorganisation, a number of allotment of shares and share transfers were effected. Upon completion of the Reorganisation on 13 August 2014, our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “A. Further information about our Company and our Group — 4. Corporate reorganisation” in Appendix IV to this prospectus. As confirmed by our Hong Kong legal advisers, the Reorganisation complies with the relevant laws and regulations.

The following diagram sets out the corporate structure of our Group immediately before the Reorganisation:

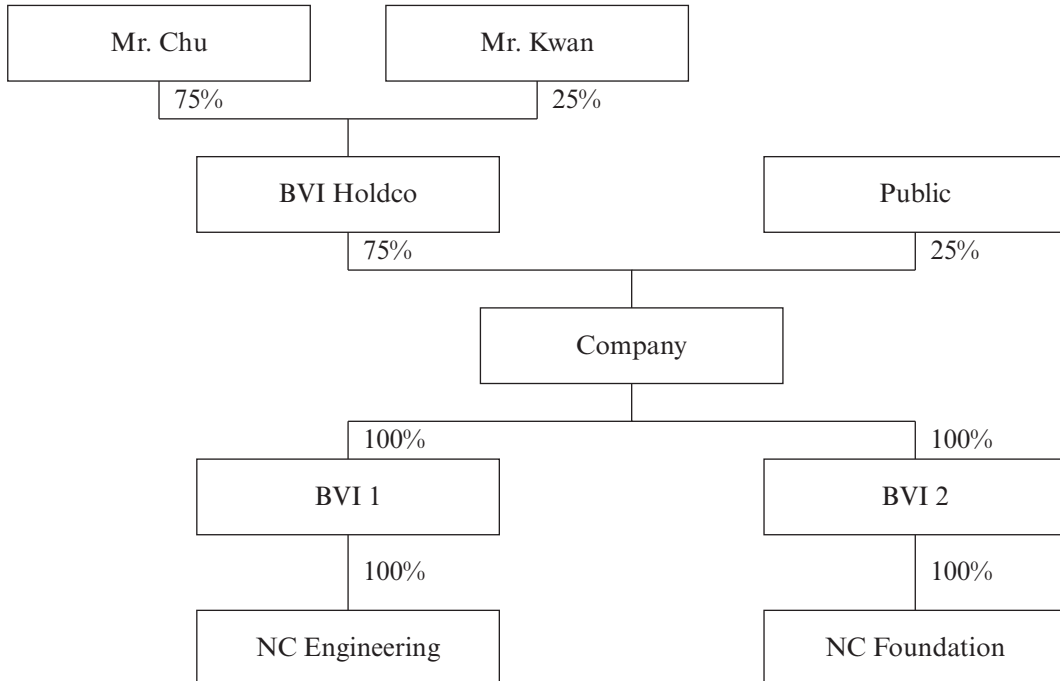


HISTORY AND CORPORATE STRUCTURE

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



The following diagram sets out the corporate structure of our Group immediately after completion of the Share Offer and the Capitalisation Issue:



HISTORY AND CORPORATE STRUCTURE

Excluded businesses of our Group

Set out below are Mr. Chu's businesses and operations that have not been included in our Group:

(1) *NC Construction*

Date and place of incorporation/ establishment:	Incorporated in Macau as a commercial company with limited liability by quotas on 20 April 2006
Mr. Chu's interest in the entity immediately before dissolution:	Indirectly owned as to approximately 99.99% by Mr. Chu
Principal business of the entity:	Construction and engineering in Macau
Manner of dissolution of the entity:	Dissolved by way of shareholders' resolution passed on 31 March 2014
Reasons for excluding the entity from our Group:	— NC Construction was dormant and had not been active since 2008 except only for being reactivated to undertake a one-off excavation project in Macau which was completed in December 2013, with a revenue of HK\$14 million attributable to such project. The main contractor of that project was a company located in Macau. It specifically requested for a Macau company to be the signing counterparty to the contract. Given the tight schedule of the project, Mr. Chu decided to accommodate the main contractor's request by reactivating and using NC Construction to enter into the contract, rather than insisting to use a Hong Kong company of our Group. We believe it was a commercial decision of the main contractor to make such request. To carry out the project, NC Construction hired some workers in Macau and our Group leased certain excavation equipments to NC Construction. Mr. Chu did not procure NC Construction to sub-contract the whole project to NC Foundation or NC Engineering in order to save the administration costs and efforts for a Hong Kong company to complete the relevant employment registration for Hong Kong workers to work in Macau, and also to save accommodation costs for such Hong Kong

HISTORY AND CORPORATE STRUCTURE

workers working in Macau. The skills required for excavation works in this project were more general in nature.

Unlike such project, our subsequent Macau Project required our trained workers (who had more specific skills) to operate piling machines. As the main contractor of the Macau project did not insist on the use of a Macau company as contractual party, our Group (instead of NC Construction or a Macau company) became the signing party, and we sent our skilled workers to Macau to carry out the Macau Project.

- According to the results of the search conducted in May 2014 (i.e. after the dissolution of NC Construction), there are no records of pending litigation lawsuits, liquidation, winding-up proceedings or similar proceedings involving NC Construction in Macau since incorporation.
- Our Group will not proactively look for business opportunities in Macau. It is not beneficial to our Group to incur costs and administrative efforts to maintain a Macau company which may not be engaged in any business activities. Further, our Directors consider that currently potential customers in Macau should generally accept a Hong Kong sub-contractor to be a party to the contract (for instance, our Group completed the Macau Project (without using or involving NC Construction) during the Track Record Period, and in the subsequent invitation to tenders and quotations for potential projects in Macau, we were not requested to use a Macau company to be the contractual party). According to the IPSOS Report, in the market there are also Hong Kong companies (either as main contractor or sub-contractor) being signing parties to take up construction projects in Macau. NC Construction was dissolved for cost efficiency purpose. In case there is any project in Macau and its customer specifically requests a Macau company (but not a Hong Kong company) to be a contract party (which we consider less likely), we may consider setting up a new Macau subsidiary, if necessary.

HISTORY AND CORPORATE STRUCTURE

(2) *NC Builders*

Date and place of incorporation/ establishment:	Incorporated in Hong Kong as a limited company on 30 January 1996
Mr. Chu's interest in the entity immediately before disposal:	Owned as to approximately 99.99% by Mr. Chu
Principal business of the entity:	Undertaking small scale earth excavation projects as sub-contractor
Manner of disposal of the entity:	Mr. Chu disposed of all his shareholding interest in NC Builders to Chiu Kwai Hung ("KH Chiu"), an Independent Third Party (except being an ex-employee of NC Foundation), on 22 January 2014 at a consideration of HK\$200, which was fully settled on 22 January 2014. The amount of consideration was mutually determined by the parties after taking into account the retained loss of the company.
Reasons for excluding the entity from our Group:	NC Builders does not hold any licences required for the business of our Group.

(3) *MW Equipment*

Date and place of incorporation/ establishment:	Incorporated in Hong Kong as a limited company on 13 February 1998
Mr. Chu's interest in the entity immediately before disposal:	Wholly-owned by Mr. Chu
Principal business of the entity:	Undertaking small scale earth excavation projects as sub-contractor
Manner of disposal of the entity:	Mr. Chu disposed of all his shareholding interest in MW Equipment to KH Chiu on 22 January 2014 at a consideration of HK\$6,500, which was fully settled on 22 January 2014. The amount of consideration was mutually determined by the parties after taking into account the retained loss of the company.

HISTORY AND CORPORATE STRUCTURE

Reasons for excluding the entity from our Group:	MW Equipment does not hold any licences required for the business of our Group.
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(4) *Barbican-New Concepts Joint Venture*

Date and place of incorporation/ establishment:	Jointly established by NC Foundation (40%) and Vibro Construction Company Limited (formerly known as Barbican Construction Company Limited), an Independent Third Party (60%) in July 2002
Mr. Chu's interest in the entity immediately before disposal:	Indirectly owned as to approximately 30% by Mr. Chu.
Principal business of the entity:	Undertaking a construction project at Man Kam To, Hong Kong (the "MKT Project")
Manner of cessation of the entity:	Ceased business by a resolution of the parties on 31 October 2013
Reasons for excluding the entity from our Group:	Given the age of the MKT Project and absence of any significant event or circumstances in the last few years

Lanon Development Limited ("Lanon") and Sumiya Holdings Limited ("Sumiya Holdings")

As disclosed in the paragraph headed "Directors, senior management and employees — Directors — Executive directors", Mr. Kwan rejoined our Group as senior management in April 2010, while he was still a director of Lanon until March 2011. Before re-joining our Group, Mr. Kwan was involved in a sewage works project awarded by Drainage Services Department of the Government during his employment in Lanon ("Lanon Project"). As mutually agreed between Mr. Kwan and our management, Mr. Kwan was allowed to complete the Lanon Project as well as handle the relevant administrative works of Lanon in relation to the Lanon Project through his provision of project management service. Mr. Kwan nominated Sumiya Holdings, his wholly-owned company, to receive payments from Lanon in relation to such provision of project management service. As at the Latest Practicable Date, all construction works of the Lanon Project were completed. According to Mr. Kwan, its maintenance period was also over and all rectification works of the defects were completed in August 2014. Pending the issue of the maintenance certificate and the agreement on the final account, there will be no outstanding matters regarding the Lanon Project.

In such connection, during the Track Record Period, Mr. Kwan from time to time sought management service, logistic service, transportation service and motor vehicle hiring from our Group to carry out the Lanon Project. The respective fee for the service rendered

HISTORY AND CORPORATE STRUCTURE

to Sumiya Holdings was determined at cost. Our Group's income from Sumiya Holdings amounted to HK\$1.8 million, HK\$4.4 million and nil respectively during the Track Record Period. During the Track Record Period, Sumiya Holdings' only business was to provide such service to Lanon, which did not compete with our Group's business.

In FY2013, after completing certain stages of the Lanon Project, Sumiya Holdings was left with residual steel reinforcement bars, which was one of our Group's construction materials in-use. In view of such, Sumiya Holdings sold the steel reinforcement bars to our Group at cost. At the final stage of the Lanon Project, and in view of the human resource needs of our Group, Mr. Cheng Yui Hung (the then staff of Lanon who was responsible for the Lanon Project) was nominated by Mr. Kwan and was seconded to our Group as a project manager. Subsequently, Mr. Cheng formally joined our Group in March 2013. Also, as agreed by our then management, Ms. Lai Mun Yee, the then accountant of our Group, assisted Mr. Kwan in handling the accounting and financial works of the Lanon Project on a part-time basis at the relevant times.

For details of the transactions entered into between our Group and Sumiya Holdings, please refer to note 15 of the accountants' report as set out in Appendix I to this prospectus.

The Lanon Project has not required further management service from our Group since the beginning of FY2014. As confirmed by Mr. Kwan, upon completion of the Lanon Project, Sumiya Holdings will cease operations. Mr. Kwan has also entered into the Deed of Non-competition in favour of our Group and has undertaken to cease to engage in business which compete with our Group's business. Save as disclosed above, each of Mr. Kwan, Ms. Lai Mun Yee and Mr. Cheng Yui Hung did not have any relationship with Lanon as at the Latest Practicable Date, and Lanon is an Independent Third Party.

OVERVIEW

We are a contractor in the Hong Kong construction industry and are principally engaged in foundation, civil engineering and general building works in Hong Kong. Our Group comprises two operating subsidiaries, namely NC Foundation and NC Engineering. Generally, our foundation projects are undertaken by NC Foundation, while our general building works and civil engineering projects are undertaken by NC Engineering.

NC Foundation was first included in the Approved Specialist List under certain land piling category in 1998. NC Engineering was first included in the Approved Public Works Contractors List under the categories of roads and drainage, landslip preventive/remedial works to slope/retaining walls and site formation (on probation or subsequently confirmed) in the period between 2000 and 2008. In 2003, we were included in the Register of General Building Contractors of the Buildings Department and expanded our business to the general building sector. We hold various other qualifications in relation to foundation and civil engineering works as required by WBDB, the Buildings Department and Housing Authority. By being included in the relevant Approved Contractors Lists, we are eligible to tender, and for the award of contracts as main contractor in certain categories of construction works by the said public bodies and most works departments of the Hong Kong Government.

Our customers include both the public and the private sectors. For FY2012 and FY2013, projects whose direct customers were in the public sector accounted for about 53.8% and 42.2% of our Group's revenue respectively, and projects whose customers were in the private sector accounted for the remaining 46.2% and 57.8% respectively. For FY2014, these public sector projects and private sector projects accounted for about 14.1% and 85.9% respectively. Such change in the proportion between private and public customers in FY2014 is mainly attributable to the revenue generated from the Un Chau Street Building Project, which is a private residential redevelopment building project, taken up by our Group.

During the Track Record Period, the total contract values of construction projects undertaken by us as main contractor accounted for 83.8%, 91.8% and 84.2% of our revenue in the respective financial years, and were significantly greater than those undertaken by us as sub-contractor to other main contractors. When we act as sub-contractor to other main contractors, our customers (i.e. the main contractors) are all invariably from the private sector.

Principal business activities

Our construction works are generally categorised into three types:

- (a) Foundation works: these mainly include bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap works. We undertake foundation projects in both the public sector (including building and infrastructure related projects) and the private sector (which are mostly building related projects).

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- (b) Civil engineering works: these mainly include site formation (including associated infrastructure works), roads and drainage works and landslip preventive and remedial works to slopes and retaining walls. We render our services to both the public and private sectors in Hong Kong.
- (c) General building works: we act as main contractor in some private building projects, and may also be retained as sub-contractors in private projects of alteration, renovation, and fitting-out for existing buildings. As a main contractor, we are responsible for the overall management of the construction project which involve delegation to and coordination of sub-contractors to perform relevant construction works.

In addition to undertaking construction works, we occasionally lease our unutilised machinery to machinery companies or contractors who are Independent Third Parties. However, we did not actively pursue and do not intend to pursue actively business opportunities in machinery leasing which is conducted only for increasing utilisation of idling resources.

The number of Major Projects handled by our Group and the revenue attributable to the three categories of our construction works during the Track Record Period are as follows:

Work Segments	Number of Major Projects handled by our Group and revenue attributable to particular segment for								
	FY2012			FY2013			FY2014		
	<i>No. of Major Projects handled (Note 1)</i>	<i>Amount (HK\$ million)</i>	<i>Proportion (%)</i>	<i>No. of Major Projects handled (Notes 1 & 2)</i>	<i>Amount (HK\$ million)</i>	<i>Proportion (%)</i>	<i>No. of Major Projects handled (Note 1)</i>	<i>Amount (HK\$ million)</i>	<i>Proportion (%)</i>
Foundation	6	79.4	42	4	34.1	15	12	81.9	18
Civil engineering	6	108.8	57	5	98.1	42	4	65.2	14
General building	2	2.7	1	2	98.2	43	3	315.9	68
Total	14	190.9	100	11	230.4	100	19	463.0	100

Notes: (1) Some projects may last for a few years, while some may last a few months but fall within two financial years. The number of Major Projects handled as shown in the above table are counted based on revenue recognised during a particular financial year.

- (2) During FY2013, revenue was recorded from both the foundation part and the basement construction part in our Un Chau Street Foundation and Basement Project. They were counted respectively as one foundation project and one general building project in the above table.

Our Group did not during the Track Record Period (and does not plan for the near future to) concentrate on a particular segment, nor allocate resources in strictly equal proportion to each of such three segments. As shown in the above table, revenue generated from each of the three segments fluctuated during the Track Record Period.

Our revenue of each year during the Track Record Period correlates substantially to the stage of construction projects undertaken. In general, in a typical construction project of which we are a main contractor, lower revenue will be recorded at the early stage when

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we are required to pay certain set-up expenditures without substantial works carried out, which render less progress payments. In addition, the Un Chau Street Building Project required our Group to devote more human and financial resources. For such reasons, after we were awarded the Un Chau Street Building Project in FY2013, we allocated less resources to handle foundation and civil engineering projects.

In order to keep our presence and activeness in the market, it is our general policy to submit tender proposals for most tender invitations. Sometimes, we are awarded several projects which may be carried out concurrently. Occasionally, we encountered resource shortage to perform the works of those projects all by ourselves. Under such circumstances, we engaged sub-contractors to perform some of those works. As a result, some of such construction projects recorded a very low gross profit margin of less than 1%. During the Track Record Period, among all the projects which we carried out, we had four construction projects which encountered the above resource shortage occasions (which recorded a gross profit margin of less than 1%).

As at the Latest Practicable Date, we are one of the few contractors in Hong Kong who are included in the Approved Public Works Contractors List under the categories of Roads and Drainage Works (Group B) and Site Formation Works (Group B, on probation), the Approval Specialists List for Public Works for landslip preventive/remedial works to slope/retaining walls and for land piling (Group II) with the four types of piling works, as well as a general building contractor registered at the Buildings Department at the same time. For details of our qualifications, please refer to the paragraph headed “Major qualifications, certifications, awards and compliance” in this section below. We believe such position allows our Group to enhance business diversity and facilitate the healthy development of our Group throughout the seasonal cycles of the construction industry in Hong Kong.

According to the Hong Kong Annual Digest of Statistics 2013 and the Hong Kong Government’s budgets 2014–2015, it is estimated that Hong Kong’s public expenditure on infrastructure will grow from approximately HK\$29.5 billion in 2008 to approximately HK\$76.1 billion in year 2013–14. The Government also forecast that capital expenditure on capital works for 2014–15 will amount to approximately HK\$70.8 billion, reflecting the Government’s vigorous investment in infrastructure. In respect of the housing sector, in the policy address 2014 of the Chief Executive of Hong Kong, the Government aims to step up its efforts to boost land supply which, together with the sites identified in previous years, will be made available in the next five years to provide about 210,000 additional public and private units to meet the demand for housing over the next decade. In view of (i) the substantial public expenditure on infrastructure and our registration status with the Development Bureau and the Buildings Department; and (ii) the current growth prospects for public and private development projects, our Directors expect there will be more opportunities for our construction business in both public and private sectors and our revenue will grow in future.

Revenues from our projects for FY2012, FY2013 and FY2014 were approximately HK\$190.9 million, HK\$230.4 million and HK\$463.0 million respectively, representing a CAGR of approximately 34.4%. During the Track Record Period, our five largest customers accounted for approximately 96.4%, 100% and 96.2% of our revenue,

respectively; and our largest customer of each such financial year accounted for approximately 53.8%, 49.2% and 66.6% of our revenue, respectively. Particularly, the aggregate revenues attributable to the Un Chau Street Building Project and Un Chau Street Foundation and Basement Project amounted to about HK\$50.7 million, HK\$113.3 million and HK\$308.6 million for FY2012, FY2013 and FY2014 respectively, representing in aggregate about 53% of our Group's total revenue for the Track Record Period. Such project is a 30-storey residential development (without taking account of the basement) in Sham Shui Po, Kowloon, which is estimated to be completed in the third quarter of 2014. The owner and our employer of the project is Customer B, who is an Independent Third Party. Our Company, the Directors and the Controlling Shareholders have confirmed that since the incorporation of NC Engineering and up to the Latest Practicable Date, they and their respective associates did not have any relationship (including family, business, financial, shareholdings, employment (including directorship) or other interested relationships) with Customer B, its subsidiaries, directors, senior management and their respective associates, except for the transactions with Customer B under the Un Chau Street Projects as disclosed in this prospectus. Customer B has also confirmed that it is an Independent Third Party and not related to any of NC Foundation and NC Engineering and any of their respective associates (other than being the customer of our Un Chau Street Projects).

COMPETITIVE STRENGTHS

We believe that our competitive strengths will enable us to maintain our position as one of the active contractors in the Hong Kong construction industry. Our competitive strengths include the following:

1. Our diverse qualifications allow us to capture business opportunities

We are included in the Approved Public Contractors List under the categories of roads and drainage works (Group B) and site formation works (Group B, on probation), the Approval Specialists List for Public Works for landslip preventive/remedial works to slope/retaining walls and for land piling (Group II) with four types of piling works, as well as a general building contractor registered at the Buildings Department. As at the Latest Practicable Date, we are one of the few contractors in Hong Kong who possess such qualifications.

We were engaged in and will continue to undertake each of the three categories of construction works, namely foundation, civil engineering and general building works. According to the IPSOS Report, generally speaking, given the nature and technical procedures of building and infrastructure development, when the construction industry booms, the first sector to be benefited is the sector of civil engineering (such as site formation) works, followed by foundation and then general building works (such as alteration and renovation). In such connection, in case of downturn of the construction industry, there could still be general building works opportunities while the number of foundation works declines, and the civil engineering sector is usually relatively steady.

Thus, our Directors believe that such position of our Group can help alleviate any seasonal effect of the construction industry and maintain stable and healthy development of our Group's business.

2. We have long operational history and good reputation in the construction industry

Our history can be traced back to mid 1990's when NC Engineering was incorporated with our commencement of business in the civil engineering segment. We expanded to the foundation and general building segments subsequently. Our founder, Mr. Chu, who is also one of our executive Directors, has at least 25 years of experience in the construction industry of Hong Kong. Some of our senior management have over 17 years of experience in the Hong Kong construction industry. We believe our management's long-established presence in the construction industry gives our customers confidence in our ability to complete quality construction works in a timely manner. Our long-established reputation in the civil engineering segment also benefits our foundation and general building segments which have been gradually developing over the years.

Our Directors believe that we have substantial proven track record and the capability of delivering our job to the satisfaction of our customers. During the Track Record Period and up to the Latest Practicable Date, we completed 15 Major Projects in both public and private sectors, including nine, four and two of foundation, civil engineering and general building projects respectively (and the foundation part and the basement construction part in our Un Chau Street Foundation and Basement Project are counted as one foundation project and one general building project respectively). A few examples of construction projects carried out by our Group are the construction of steel tubular piles for the Kai Tak Project and the NT Slopes Project in the Western and Northern New Territories. Our total revenue (i.e. those generated from our projects) recorded during the Track Record Period amounted to approximately HK\$884.3 million.

3. We have experienced and professional management and provide our staff with quality training

Our management has extensive experience in the Hong Kong construction industry. Our founder and other executive Directors have extensive construction works experience and technical knowledge, relevant professional qualifications and financial and accounting knowledge relating to construction companies. They have been serving our Group for at least 14 years.

Our Directors and our general managers will work together to ensure that we are able to submit a tender proposal at a competitive price with adequate profit margin. Our management has the flexibility and capability to make appropriate adjustments (if allowed) to the conformed design in tender proposals prepared by our customers' architectural or engineering consultants so as to reduce costs, and to cope with uncertainties which may come to understanding during the project's operation.

Our machinery operators hold relevant requisite licences. Our project managers, foremen and machinery operators have experience in the construction industry and possess the relevant professional qualifications as required for the works. As at the Latest Practicable Date, we had 10 machinery operators and they possess the relevant machinery operation certificates to operate crawler-mounted mobile crane, excavator and/or other plant and equipment. We believe their construction project management experience, geological knowledge of Hong Kong and the technical skills of operating relevant machinery would facilitate efficient and timely implementation and management of our construction works.

We also put efforts on the training and development of our employees. Our internal control manual requires us to provide internal and external training to our selected employees to ensure they possess the required skills-set parameter and technical expertise for the operation of our construction business. We believe that these efforts increase overall efficiency and loyalty to our Group, and also help retaining and promoting quality employees. The internal and external training programmes focus on specific areas such as machinery operation and occupational safety. Training sessions are held on a regular basis.

4. We own a range of imported principal machinery

We believe that foundation and civil engineering works, in particular, large diameter bored piling works, are equipment intensive and require specialised machinery. We own certain machines manufactured in overseas countries for foundation and civil engineering works, some of which were purchased in or after FY2013. Please see the paragraph headed “Machinery” in this section for further information.

We believe our machinery are maintained regularly, which enable us to (i) achieve high efficiency; (ii) maintain consistency in work quality; and (iii) uphold our competitive position in the construction industry in Hong Kong. Our possession of adequate machinery helps eliminate the need for renting major machinery from external parties, which in turn controls the cost and time schedule of our construction works.

5. Stringent quality assurance and high safety standard and environmental impact control

We place emphasis on consistently high quality of our construction works and have adopted and implemented a quality control system that complies with international standards. We were assessed and certified from 2001 onward (and as at the Latest Practicable Date) to have complied with the requirements of ISO 9001:2008 accreditation for our management system.

We have set up an occupational health and safety system to promote safe working practices among all employees and to prevent the occurrence of accidents through safety inspections. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment

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resulting from our civil construction works. Our safety, environmental and energy management systems have been certified in compliance with OHSAS 18001:2007, ISO 14001:2004 and ISO 50001:2011 respectively.

Other than those non-compliance incidents as disclosed in the paragraph headed “Non-compliance” in this section below, we have a generally satisfactory record of compliance with construction-related laws and regulations since our Group’s establishment. We believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to be better positioned to deliver quality works on time and within budget, thereby enhancing our reputation as a reliable construction contractor.

BUSINESS STRATEGIES AND PROSPECTS

Our ability to sustain the operating margin and profit is principally affected by the level of activities in the construction industry in Hong Kong and by our ability to submit competitive tenders and to secure and perform contracts.

In recent years, the Hong Kong Government promulgated its plan and policy to stabilise the local property market by increasing the supply of both private and public residential units. There is also indication of plans to further increase land supply through, among other measures, reclamation and the study of development of cavern and underground space and also construction of artificial islands. These contemplate increasing expenditure by the Government on public infrastructure projects and growth prospects for residential development projects. In particular, according to the 2013–2014 Policy Address, the Hong Kong Government targets to provide a total of 470,000 units in the coming 10 years, with public housing accounting for 60% and continues to increase its land supply by rezoning agricultural and industrial sites for residential use and developing the Northeast New Territories and Hung Shui Kiu new development areas. Our Directors believe that the value of construction works output in Hong Kong will continue to rise and the construction works available for us will grow steadily. Further details on the future development of the construction industry in Hong Kong are set out in the paragraph headed “Industry overview — Overview of construction industry in Hong Kong — Market outlook” in this prospectus.

During the Track Record Period, public and private projects contributed similar amount of revenue to our Group, except that in FY2014 the Un Chau Street Building Project itself accounted for about 66% of our total revenue of that year. Among the Major Projects which we undertook as sub-contractor to private main contractors during the Track Record Period, eight of them were public sector projects awarded by the Government to those main contractors. Having considered the expected increase in the Government’s spending on public sector projects and the fact that we are included in the Approved Contractors Lists (in certain categories, including land piling works) of the Development Bureau and also the Housing Authority, our Directors believe there are opportunities for our Group to handle more construction projects in the public sector.

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We will continue to seek proactively opportunities in construction works from both the private and public sectors in Hong Kong. As disclosed in the above paragraph “Competitive strengths — Our diverse qualifications allow us to capture business opportunities” in this section, we will continue to put attention to each of the three main categories of our works, namely foundation, civil engineering and general building projects, as we believe that such competitive strength will help our Group to alleviate the adverse effect caused by the seasonal cycles of the construction industry and to maintain the stable and healthy development of our Group. We have no preference to these three categories of works and will pursue opportunities from all three categories, depending on our then available resources and capacity.

We plan to expand our scale by continuing to acquire more machinery and hire more professional and skilled staff and provide more on-the-job training to them. In this regard, machinery and equipment (including crawler cranes and excavator and related accessory equipment) for foundation works and building works will be acquired with an aim to increase our Group’s capacity. Additional staff (including construction managers, engineers and technician and related apprentices) are planned to be hired. Our Directors believe that by expanding our scale, we will be able to tender for larger scale construction projects and broaden our customer base by meeting the pre-qualifications of tenderers prescribed by the potential customers. For further details regarding the proposed spending of proceeds from the Share Offer under these plans, please refer to the paragraph headed “Future plans and use of proceeds — Use of proceeds”.

In order to take up general building works in the public sector, we (through NC Engineering) also plan to apply to WBDB for inclusion of our Group member(s) in Group C (on probation) in the category of buildings in the Approved Public Works Contractors List. To be eligible for such qualification (by direct entry), the contractor should meet the following requirements:

- (i) a minimum employed capital of HK\$14.8 million plus HK\$2 million for every HK\$100 million of annualised outstanding works or part thereof above HK\$950 million;
- (ii) a minimum working capital of HK\$14.8 million or 8% on the first HK\$950 million of annualised outstanding works and 10% on remainder, whichever is higher;
- (iii) registered as a general building contractor at the Building Authority’s register;
- (iv) satisfactorily completed as the main contractor of at least one building works contract (Government or non-Government contracts are acceptable) within the past seven years which total value of not more than two of the above contracts shall be over HK\$560 million;
- (v) at least one member of the resident top management who shall have a minimum of five years local experience in managing a construction firm obtained in the past eight years; and

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- (vi) as technical staff, at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local working experience in building works.

As at the Latest Practicable Date, our Group fulfilled the requirements mentioned in (iii), (v) and (vi) above. For the capital requirements in (i) and (ii) above, we intend to increase NC Engineering's employed capital and working capital from the current amount of HK\$10.1 million to the required minimum amount of HK\$14.8 million by HK\$4.7 million through our internal resources. For the project requirements in (iv) above, we made tender for a building project whose standalone contract sum will be above HK\$200 million. As at the Latest Practicable Date, the decision on acceptance of our tender for such project was not yet made. If this tender is accepted, taking account of such project (when completed) together with our Un Chau Street Building Project (which is expected to be completed in the third quarter of 2014) whose contract sum is about HK\$424.1 million, we will be able to fulfill the requirements in (iv) above after completion of such new building project (if awarded) which is currently expected to be in around the fourth quarter in 2015.

During the Track Record Period, we completed one project in Macau (i.e. a foundation works contract which was completed in November 2013 with a revenue of approximately HK\$19.3 million); we also leased some machineries to NC Construction (a then related party to our Company) and contractors (who were Independent Third Parties) in Macau with an aggregate revenue of approximately HK\$8.7 million for a site formation project and a foundation project carried out there. As at the Latest Practicable Date, we did not undertake any projects in Macau. While our main business focus is construction projects in Hong Kong, we may take up Macau projects only when being invited by consultants or other contractors after taking into account our available resources and capacity at such time. We will not proactively look for business opportunities in Macau. We plan to continue to focus on the businesses of our two operating subsidiaries, and currently do not plan to seek expansion by way of merger or acquisition.

OUR BUSINESS ACTIVITIES

We are principally engaged in foundation, civil engineering and general building works in Hong Kong.

Foundation works

Foundation works form the lowest and supporting parts of most construction works in Hong Kong. Quality of foundation works is essential to the safety of buildings, as superstructure works are constructed over and performed on top of the foundation works. Problems of sub-standard piling works affect building safety.

Foundations can be classified as shallow and deep foundations, depending on the depth of load-transfer from the structure to the ground. The definition of shallow foundations varies according to different standards. In Hong Kong, embedment depth of three metres (3 m) is generally adopted to define shallow foundations. Bored piles, socketed H-piles and mini-piles are more commonly used foundation works methods in Hong Kong.

Foundation works delivered by our Group include bored piles, driven H-piles, socketed H-piles, mini-piles, footing foundation and pile caps. Different foundation works are used depending on the superstructure to be constructed (e.g. high-rise buildings against small structures), nature and occurrence of rocks and soils at the construction site, environmental protection consideration, neighbourhood of the construction site, costs and other features. For further technical information of these foundation works, please refer to Appendix V to this prospectus.

Civil engineering construction

In the discipline of civil engineering, we provide site formation works, landslip preventive and remedial works to slopes and retaining walls, and road works and drainage services:

Site formation

Site formation works are performed to prepare a construction site for subsequent works for foundation and superstructure. They generally involve the clearance of construction site, demolition of existing structures, excavation to the design formation and/or basement level, reduction and stabilisation of existing slopes, and associated infrastructure works (which include construction of road, drainage, sewage and water works).

Landslip preventive and remedial works to slopes and retaining walls

LPM works involve slope stabilisation and upgrading works, which include engineering inspection, retaining wall and check dam construction, cut and fill slope, soil nailing, rock dowel and rock bolt installation, flexible barrier construction, surface drainage construction, slope surface treatment with high pressure grouting and spraying and landscaping.

Roads and drainage works

Roads and drainage works include construction of road interchange, carriageway and walkway, footbridge and traffic link bridge, road improvement and widening works, flood prevention works, construction of drainage channel, outfall pipe, box culvert and pumping station, and associated landscaping, utilities diversion as well as electrical and mechanical works.

General building works

We generally act as main contractor in general building projects. We also undertake as sub-contractor projects of alteration, renovation, and fitting-out of existing buildings. We focus on providing building services to local property developers which generally require a high standard of service quality. During the Track Record Period, we undertook four general building Major Projects.

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As main contractor, we are responsible for the overall management of the construction project. We delegate to our sub-contractors to carry out some of the construction works such as steel bar fixing, concreting, plastering and mechanical and electrical works. As main contractor, we generally focus on project management, engineering design and technical submission, devising detailed work programmes, procurement of major construction materials, co-ordination with the customers or their representatives and sub-contractors. To monitor the performance of our sub-contractors and the quality of works, we have put in place a number of control measures, such as inspection on the sub-contractors' works. For further details, please refer to the paragraphs headed "Project implementation" and "Quality control" in this section.

MAJOR QUALIFICATIONS, CERTIFICATIONS, AWARDS AND COMPLIANCE

Licences and qualifications in Hong Kong

We hold various licences and qualifications in respect of our construction services. As confirmed by our Hong Kong legal advisers, our Group holds all the necessary licences and permits which are required to carry on our Group's activities in respect of our construction business in Hong Kong. Our Directors confirm that save as disclosed in the paragraph headed "Non-compliance" in this section, our Group has been in compliance with all relevant laws and regulations in Hong Kong pertaining to our construction business in all material aspects during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, our Group had the following major licences and/or qualifications in respect of our construction business in Hong Kong:

Relevant Hong Kong Government departments/organisation	Description	Category	Qualifications (Note 1)	Holder	Expiry date	Authorised contract value
Buildings Department	Private sector works	Foundation works	Registered Specialist Contractors	NC Foundation	15 August 2015	Not applicable
		Site formation works	Registered Specialist Contractors	NC Foundation	16 August 2015	Not applicable
		General building works	Registered General Building Contractor	NC Engineering NC Foundation	1 November 2014 20 August 2016	Not applicable Not applicable
WBDB	Approved Public Works Contractors List	Roads & drainage category	Group B (confirmed)	NC Engineering	— (Note 2)	Up to HK\$185 million
		Site formation category	Group B (on probation)	NC Engineering	— (Note 2)	Up to HK\$185 million
	Approved Specialist List	Land piling	Group II (confirmed) — Large Diameter Bored Pile — Mini-pile — Steel H Pile — Rock-socketed Steel H-pile in Pre-bored Hole	NC Foundation	— (Note 2)	Unlimited value
		Landslip preventive/remedial works to slopes/Retaining walls category (confirmed)		NC Engineering	— (Note 2)	Unlimited value
Housing Authority	List of Piling Contractor	Percussive piling (on probation)		NC Foundation	(Note 3)	Unlimited value

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Notes:

1. Please refer to the section headed “Laws and regulations” in this prospectus for further details of the qualifications or licences.
2. “-” denotes that the relevant licences or qualifications are not subject to periodic renewal condition except for capital requirement.
3. Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements set out in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of a renewal application fee. Renewal requirements include but are not limited to statutory registration, ethical integrity, quality, environmental and safety management system and financial capability.

We have generally been in compliance with the respective licences, permits, registrations and relevant regulatory requirements in respect of safety, environmental and insurance in the construction industry. Some of these licences or qualifications are subject to annual review and renewal. The expected time to complete the renewal process is generally around one to five months. Our Group intends to renew all existing licences and qualifications accordingly before their respective expiry dates. We have not experienced any refusal of renewal of the licences necessary for our operations during the Track Record Period and up to the Latest Practicable Date. As advised by our Hong Kong legal advisers, there is no difficulty or legal impediment for our Group to renew such licences.

Certifications

The following Group companies are holders of the following certifications in respect of our management or quality control system:

Nature	Certification	Awarding organisation or authority	Holder	Period of validity
Quality Management System Accreditation	ISO 9001:2008	Bureau Veritas Certification Hong Kong Limited	NC Foundation <i>(Note 1)</i>	24 April 2014– 23 April 2017
			NC Engineering <i>(Note 2)</i>	14 April 2013– 13 April 2016
Safety Management System Accreditation	OHSAS 18001:2007	Bureau Veritas Certification Hong Kong Limited	NC Foundation <i>(Note 3)</i>	24 April 2014– 23 April 2017
			NC Engineering <i>(Note 2)</i>	9 March 2013– 8 March 2016
Environment Management System Accreditation	ISO 14001:2004	Bureau Veritas Certification Hong Kong Limited	NC Foundation <i>(Note 3)</i>	24 April 2014– 23 April 2017
			NC Engineering <i>(Note 2)</i>	2 April 2013– 1 April 2016
Energy Management System Accreditation	ISO 50001:2011	Bureau Veritas Certification Hong Kong Limited	NC Foundation <i>(Note 4)</i>	24 April 2014– 23 April 2017

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Notes:

1. The scope covers design and construction for foundation, general building contractor work, port work and piling works including large diameter board piles, large diameter bored piles (with bell-out), mini-pile, precast prestressed tubular piles (PPTP), rock-socketed steel H-pile in pre-bored hole, steel H-piles and steel tubular pile.
2. The scope covers design and construction of general civil engineering works including roads and drainage, site formation, waterworks, landslip preventive or remedial works to slopes or retaining walls and port works, and building construction and maintenance works.
3. The scope covers design and construction for foundation, general building contractor work, port work and piling works including large diameter board piles, large diameter bored piles (with bell-out), mini-pile, precast concrete piles, precast prestressed tubular piles (PPTP), rock-socketed steel H-pile in pre-bored hole, steel H-piles and steel tubular pile.
4. The scope covers construction works for bored piling system.

The validity of the above certifications is subject to the continuing satisfactory operation of the relevant holder's management system and surveillance audits.

Awards and recognition

The following table sets out our major non-recurring awards and recognitions awarded to us:

Year(s) of award	Nature	Recipient	Award	Awarding organisation or authority
2014	Safety and environment	NC Foundation	The On-site Best Safety and Environmental sub-contractor for the Tsing Yi Project	A private contractor in Hong Kong
2012	Safety	NC Engineering	CEDD Construction Site Safety Award 2011 — Silver Award for the Landslip Prevention and Mitigation Programme 2008 (Package P) — natural terrain hazard mitigation works at Cheung Tung Road adjacent to North Lantau Highway in Tung Chung, Lantau	CEDD

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Year(s) of award	Nature	Recipient	Award	Awarding organisation or authority
2011	Safety	NC Engineering	CEDD Construction Site Safety Award 2010 — Merit Award for the Landslip Prevention and Mitigation Programme 2008 (Package P) — natural terrain hazard mitigation works at Cheung Tung Road adjacent to North Lantau Highway in Tung Chung, Lantau	CEDD
2010	Safety	NC Engineering	Second Runner-up of the Best Landslip Preventive Measures Contractor of 2009	CEDD

Compliance

Our Hong Kong legal advisers confirm that during the Track Record Period and up to the Latest Practicable Date, our Group obtained and held all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong, and that all of them are in force.

It is the opinion of our Macau legal advisers that the mode of operations of the construction projects carried out by our Group (as sub-contractor) in Macau is lawful and is in compliance with the applicable laws of Macau (save for a non-compliance incident with Macau law as disclosed in the paragraph headed “Non-compliance” below).

For our measures to ensure ongoing compliance with the applicable requirements, laws and regulations, please refer to the paragraph headed “Laws and regulations — Hong Kong laws — Compliance with relevant requirements” in this prospectus for further details.

CONSTRUCTION PROJECTS

During the Track Record Period, the construction works undertaken by us were in both public and private sectors. The project period as provided under the contracts usually ranged from around two to 36 months, and the actual lengths of our projects (as officially extended by our customers, where applicable) usually ranged from around two to 48 months, depending on the size of the projects and the complexity of the works undertaken. As disclosed above, our foundation projects were and will be undertaken by NC Foundation, while civil engineering and general building projects were and will be undertaken by NC Engineering.

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Projects completed

The following table sets out the details of the Major Projects completed by us during the Track Record Period and up to the Latest Practicable Date in descending order by their contract sum:

Our Group as main contractor:

Name of project	Sector of our customer (Note 1)	Main category of works (Note 2)	Project period (Note 3)	Final Contract sum (HK\$ million)
Un Chau Street Foundation and Basement Project	Private	Foundation and building	March 2011–October 2012	109.9
Sha Tin Slopes Project	Public	Civil engineering	May 2010–June 2012	90.8
Tung Chung Project	Public	Civil engineering	December 2009–October 2013	90.4
NT Slopes Project	Public	Civil engineering	November 2007–December 2011	60.3
To Kwa Wan Project	Private	Civil engineering	September 2010–June 2011	16.3
Tseng Choi Street Project	Private	Building	November 2011–December 2011	0.6
Total				368.3

Our Group as sub-contractor:

Name of project	Sector of our customer (Note 1)	Main category of works (Note 2)	Project period (Note 3)	Final Contract sum (HK\$ million)
Kai Tak Project	Private	Foundation	April 2010–March 2011	71.0
Tong Yin Lane Project	Private	Foundation	February 2013–August 2013	19.4
Macau Project	Private	Foundation	August 2013–November 2013	19.3
Tse Uk Tsuen Project	Private	Foundation	March 2011–October 2011	12.4
Tuen Mun Road Project	Private	Foundation	February 2011–July 2013	9.7
Hung Hom Project	Private	Foundation	September 2013–December 2013	5.7
Wong Chuk Hang Road Project	Private	Foundation	February 2012–November 2013	4.6
Trio Beach Project	Private	Foundation	May 2013–September 2013	1.1
Total				143.2

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Notes:

1. This refers to the sector (i.e. public or private) to which our customer (i.e. the counterparty who signed contract with our Group) belongs.
2. Types of works are based on the segments as classified in the financial statements of our Group.
3. Project period refers to the period from the date of actual commencement of our works to the date of actual completion of our works in such project.

Projects in progress based on information available as at the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract values of our Major Projects in progress amounted to approximately HK\$1.4 billion. The following tables set out brief details of such projects in progress based on information available as at the Latest Practicable Date, in descending order by contract sum:

Our Group as main contractor:

Name of project	Sector of our customer (Note 1)	Main category of works (Note 2)	Expected project period (Note 3)	Percentage of works certified based on information available as at the Latest Practicable	Contract sum (Note 5) (HK\$ million)	Amount of contract sum yet to be recognised as at the Latest Practicable
				Date (Note 4)		Date (Note 6)
Un Chau Street Building Project	Private	Building	October 2012– third quarter of 2014 (Note 7)	91.3%	424.1	33.3
Central Slopes Project	Public	Civil engineering	December 2012– September 2014	78.4%	114.9 (Note 8)	25.5
Wong Tai Sin Project	Public	Civil engineering	February 2012– September 2014 (Note 9)	99.6%	97.0 (Note 8)	0.5
Sai Kung Hotel Project	Private	Foundation	July 2014– February 2015	0	93.8	89.4
Kau To Project	Private	Civil engineering	August 2014– May 2015	0	49.1	49.1
Des Voeux Road West Project	Private	Foundation	July 2014– June 2015	0	43.4	42.8
Kap Pin Long Project	Private	Foundation	July 2013– July 2014 (Note 10)	84.3%	29.1	1.4
				Total	851.4	242.0

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Our Group as sub-contractor:

Name of project	Sector of our customer (Note 1)	Main category of works (Note 2)	Expected project period (Note 3)	Percentage of works certified based on information available as at the Latest Practicable	Contract sum (Note 5) (HK\$ million)	Amount of contract sum yet to be recognised as at the Latest Practicable
				Date (Note 4)		Date (Note 6)
Tseung Kwan O Composite Project	Private	Foundation	June 2014– January 2016	2.4%	285.9	283.1
MacDonnell Road Project	Private	Building	June 2013– August 2015	30.4%	76.5	51.5
Yuen Long Project	Private	Foundation	February 2014– October 2014	47.7%	70.1	37.9
Tseung Kwan O Project	Private	Foundation	March 2014– November 2014	29.0%	63.2	42.5
Harbour Area (North HK) Project	Private	Foundation	December 2011– October 2014	67.0%	26.1	1.7
Wanchai Road Project	Private	Foundation	December 2013– February 2015	66.3%	21.6	1.8
Kwai Chung Project	Private	Foundation	May 2014– September 2014	48.6%	10.9	0.2
Tsing Wun Road Project	Private	Foundation	September 2013– November 2014	34.7%	8.8	5.1
Tsing Yi Project	Private	Foundation	January 2014– January 2016	22.5%	8.6	5.8
Shek Mun Project	Private	Foundation	April 2014– September 2014	78.1%	7.1	0.8
Harbour Area (South HK) Project	Private	Foundation	April 2013– November 2014	33.3%	6.4	4.5
				Total	585.2	434.9

Notes:

1. This refers to the sector (i.e. public or private) to which our customer (i.e. the counterparty who signed contract with our Group) belongs.
2. Types of works are based on the segments as classified in the financial statements of our Group.
3. Expected project period refers to the period from the date of commencement of our works to the expected date of completion of our scope of works as stipulated in the relevant contract (or expressly extended by the owner of the project).

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4. Percentage of works certified is based on the value of works as stated in the certificates issued by our Group's customers (or their designated authorised persons) on the respective projects up to (in most cases) the close of calendar month immediately before the Latest Practicable Date, divided by the contract sum of the respective projects.
5. Contract sum refers to the contract value as stated in the original contract (and amended between the parties thereto, where applicable).
6. Revenue for our projects in progress will be recognised by stage of completion method, i.e. percentage of completion will be measured by the percentage of construction costs incurred to date as compared to the estimated total construction costs for the project. Please refer to the paragraphs headed "Operating procedures — Inspection, rectification (if any) and application for payment and certification — Progress payment and retention money" below in this section and "Financial information — Discussion on certain key income statement items — Turnover" for further details.
7. For further details of the delay in completion of the Un Chau Street Building Project, please refer to the paragraph headed "Construction projects — Projects in progress based on information available as at the Latest Practicable Date — Delay in construction progress of the Un Chau Street Building Project" below.
8. The contract sum is revised by our project manager based on the reduction in contract sum estimated by the project manager with reference to the revised scope of works as stated in the variation orders received from the consultant of our customer. It should be noted that those variation orders only stated the reduction of scope of works of the Central Slopes Project and Wong Tai Sin Project and did not include a quantified revised contract sum amount. Under the relevant accounting standards, the reporting accountants view that those variation orders from an Independent Third Party did not indicate the respective customer's express agreement with the revised contract sum amount, and thus the relevant "contract sums" are not revised according to the variation orders for accounting purposes in the accountants' report. For complete information purpose, the original contract sums of the Central Slopes Project and the Wong Tai Sin Project as recognised for accounting purposes in the accountants' report for FY2012 and FY2013 were HK\$238.9 million and HK\$168.8 million respectively. In FY2014, the contract sums for these two projects were agreed between the Group and the relevant customers to be varied, and were adopted for accounting purposes in the accountants' report for FY2014 in the amount of HK\$181.8 million and HK\$159.7 million respectively. Our Directors have estimated the impact of adopting the new estimated contract sums for accounting purpose on the financial effect for FY2015. By adopting such new estimated contract sums and taking into account the latest estimation on the costs to completion for the two projects respectively within FY2015, the estimated profit from the two projects in FY2015 will increase by not more than HK\$200,000. In view of such, our Directors do not consider the financial impact on the revised contract sums in FY2015 to be material.
9. For further details of the previous delay in completion of the Wong Tai Sin Project, please refer to the paragraph headed "Delay in construction progress of the Wong Tai Sin Project" below.
10. For further details of the delay in completion of the Kap Pin Long Project, please refer to the paragraph headed "Delay in construction progress of the Kap Pin Long Project" below.

As at the Latest Practicable Date, our Directors expect the completion dates of the above projects will fall within the expected project period, save for the two projects mentioned in note 7 and 10 above.

According to the IPSOS Report, during the course of construction works in Hong Kong, it is not uncommon to have delay in completion from time to time. Delay may arise from many reasons including but not limited to accidents of workers, adverse weather conditions, unexpected delay in process for filing, lodging and/or applying for compliance with relevant Government procedures, rules and/or regulations, and unexpected technical difficulties arising from the construction process.

As at the Latest Practicable Date, our Group had 18 Major Projects currently under progress, of which the Un Chau Street Building Project, the Kap Pin Long Project and the Wong Tai Sin Project have not been completed according to the original expected completion dates stated in the relevant contracts.

Delay in construction progress of the Un Chau Street Building Project

According to the project progress report of our Group, the main reasons for the delay are as follows:

- (i) delay in completion of construction of the transformer room — for our Un Chau Street Building Project, we are required to construct a transformer room for the electric power company (i.e. CLP Power Hong Kong Limited (“CLP”)), to install a transformer and cabling in order to connect the power supply for the whole building (namely the “power-on” work). The release of finalised details for construction of the transformer room to us was delayed and our then relevant project manager was verbally instructed by the customer’s architect to withhold the construction of the transformer room until the finalised construction details were issued by the architect to our Group. This led to the delay of completion of the transformer room and thus the power-on work done by CLP;
- (ii) delay in applying for inspection of the Fire Services Department (“FSD”) — FSD’s inspection on the building site can only be conducted after completion of testing and commissioning of certain building services installation which relied on the power-on work. As a result of the delay in completion of the power-on work, such inspection (and re-inspection) by FSD was also delayed; and
- (iii) variation and additional works as recommended by the Buildings Department after application for the occupation permit (“OP”) — application for OP can only be submitted after the date of FSD’s inspection is confirmed. For this project, following the delay of FSD’s inspection, the application for OP by the customer’s architect was also delayed. Further, it is not uncommon that the Buildings Department will recommend certain variation and/or additional works during their inspection for the purpose of considering the issue of OP for general building project. In this Un Chau Street Building Project, variation and additional works were recommended by the Buildings Department (e.g. infilling of ceiling voids, relocation of inlet pipes at the back lane and some road resurfacing works). Our then relevant project manager received written instructions from the customer’s architect to proceed with the recommended works, which further delayed completion of the project.

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Under the main contract of the Un Chau Street Building Project, we as main contractor are bound to comply with all instructions issued to us by the architect employed by Customer B in regard to matters which the customer's architect is empowered by the terms under the main contract to issue instructions (which include those instructions as mentioned in incidents of (i) and (iii) above). In light of the facts as illustrated above, our Directors believe that our Group did not cause the abovementioned incidents leading to the delay in completion of the project. The date of completion of the project is generally fixed under the relevant main contract, but may be extended under certain circumstances as provided in the main contract. These circumstances include (but are not limited to) time extension made by the customer's architect because of such architect's instructions or of late instructions, drawings or details from the architect. As (a) the incidents mentioned in (i) and (ii) above were generally caused by the delay in receiving instructions from the customer's architect; and (b) the incident mentioned in (iii) above involved variation and additional works (as instructed by the customer's architect under the request by the Buildings Department) which were outside our original scope of works, our Directors consider that these incidents fall within the extension circumstances as permitted under the main contract.

Our Group had meetings and discussions with Customer B and its architect in relation to our application for various extensions of time for completion in relation to each of the reasons/incidents for delay as mentioned above. Our Group had given all necessary time extension applications and, all of them were in principle agreed in writing by the customer's architect. Pursuant to the main contract regarding the Un Chau Street Building Project, if we fail to complete the project by the contractual completion date, or within any extended period of time as agreed by the architect being an independent professional engaged by Customer B, we will be liable for liquidated damages to Customer B. The completion of the project (as evidenced by the completion certificate to be issued by the customer's architect) and extensions of time for works shall be certified or approved (as the case may be) by the customer's architect, but not the customer itself. In other words, as all our time extension applications were in principle agreed in writing by the customer's architect, our Directors consider that we are not liable for the delay in completion of the Un Chau Street Building Project and thus it will not result in liquidated damages being payable by our Group. Further, our Group served notice to file prolongation claims (without the quantum of the claim, which is pending finalisation after handover of the project) to our customer's architect in order to recover our costs incurred as a result of such delay, and they were accepted in principle in writing by our customer's architect. Our Directors intend to disclose the finalised quantum of their prolongation claims to the architect, only after obtaining the OP and handover of the Un Chau Street Building Project, because it is the market practice for the architect to first settle the contractor's time extension applications and then finalise the quantum of the prolongation claims (i.e. the number of days of extension has to be agreed before the actual amount of prolongation claims can be finalised). As the residential development under the Un Chau Street Building Project (which will be a service apartment) will only offer leasing (but not sale) of its residential units and commercial units on its business and retail podium, and we are not a party to those leasing contracts, our Directors therefore believe that we will not be liable for any potential compensation to the end users

in connection with the delay in completion of the project. As at the Latest Practicable Date, our Directors estimated that the Un Chau Street Building Project would be completed in the third quarter of 2014.

Our representative verbally indicated to the customer's architect that the amount of the prolongation claims is estimated to be approximately HK\$1 million or above per month of delay. After the obtaining of the OP and the handover of the Un Chau Street Building Project, our Group will finalise the amount of the prolongation claims and will formally submit the application for the prolongation claims to the customer's architect. Since July 2014, we have been handing over the project floor by floor to Customer B from time to time. The formal completion of the handover of the whole project (and thus our formal submission of the application for the prolongation claims) is expected to be by the end of September 2014.

The additional costs incurred which amounted to HK\$11.3 million in respect of the extension of time include (i) the provision and operation of tower crane cost; (ii) safety precaution and setting out cost; (iii) site supervision cost; (iv) general labour cost; (v) temporary power and water supply cost; (vi) site security cost; (vii) insurance cost; and (viii) finance cost in relation to the performance bond. According to our Directors and as agreed by our reporting accountants, out of the estimated total additional costs, about HK\$2.6 million was accounted for in the Track Record Period and the remaining (by taking into account the final agreed claim amount) will be accounted for in FY2015.

Within the total additional cost amount, about HK\$6.0 million was related to cost incurred by Sub-contractor B (being one of our five largest sub-contractors during the Track Record Period, please refer to the paragraph headed "Suppliers and sub-contractors — sub-contracting" below). Under the sub-contracting agreement entered into between our Group and Sub-contractor B, if our Group is unable to claim the additional amount as a result of the extension of time, Sub-contractor B is not entitled to make such claims against us. As such, assuming that the remaining additional cost cannot be claimed by our Group, the maximum additional cost incurred will be HK\$2.7 million. Our Directors consider that such amount of additional cost will not have material impact on our Group's revenue. As at the Latest Practicable Date, we have not received any of such claim from Sub-contractor B. The actual amount of prolongation claims would be subject to the agreement between the relevant parties.

Our Directors are of the view that, taking into account the above and the financial performance of our Group in the first quarter of FY2015, the additional costs incurred in FY2015 as a result of the Un Chau Street Building Project delay will not have material impact on the financial results of our Group in FY2015.

Delay in construction progress of the Kap Pin Long Project

According to the project progress report of our Group, the main reasons for the delay are as follows:

- (i) delay due to inclement weather — delay was partly due to inclement weather in some days during the period from July 2013 to June 2014; and

- (ii) delay in release of construction details for site formation works — some construction drawings for site formation works were not finalised and relevant confirmation was not issued on time despite our Group's request for information, resulting in delay in works. Our Group served a notice of delay to the architect and would further notify the architect when the extent of delay can be ascertained.

In light of the reasons as stated above, our Directors believe that our Group did not cause the abovementioned incidents leading to the delay in completion of the project. As mentioned above, the relevant time extension application and notice of delay have been filed in writing with the architect, yet the actual number of days of extension can only be assessed after completion of the project. The handover of the site took place in early August 2014, and completion of the project is expected to be followed shortly. If the relevant time extension application(s) is/are agreed by the architect and assuming the project is completed in August 2014, the time extension will be sufficient to cover the actual number of days of delay. Our Directors expect that there is no impediment to obtain the relevant time extensions. If the application(s) is/are not accepted, the maximum liquidated damages payable by our Group will be less than HK\$500,000, assuming the project is completed in August 2014.

Delay in construction progress of the Wong Tai Sin Project

The Wong Tai Sin Project was scheduled to be completed by the end of July 2014. By the end of July 2014, the construction work of the project was yet to be completed, while the consultant appointed by our customer then did not expressly extend the completion date. According to the project progress report of our Group, the main reasons for the delay are as follows:

- (i) delay due to inclement weather — delay was partly due to inclement weather in some days during July 2014; and
- (ii) variation of works as instructed by the consultant — our Group received a variation order from the customer's consultant in March 2014 to revise the construction details of certain works in a particular section of the construction site. Such variation works included the increase in number, size and length of soil nails in that particular section of the construction site. These variation works had been carried out since May 2014, and according to the construction programme analysis given to the consultant by our Group in July 2014, the works associated with such variation order would require additional time to complete and would thus postpone the completion of the whole project to around the end of August 2014.

In light of the reasons as stated above, our Directors believe that our Group did not cause the abovementioned incidents leading to the delay in completion of the project. All relevant time extension applications have been filed in writing with the consultant, yet the actual number of days of extension can only be assessed after the completion of the project. As at the Latest Practicable Date, the remaining work of this project was the construction of a rigid barrier, and the only outstanding parts were the construction of a reinforced concrete structure. The time extension will be sufficient to cover the actual number of days

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of delay. Our Directors expect that there is no impediment to obtain the relevant time extensions, and particularly in respect of the additional time for carrying out the variation works as mentioned above, given that the variation was instructed by the customer's consultant, our Directors believe that the time extension in relation to such variation order will be granted. If the applications are not accepted, the maximum liquidated damages payable by our Group will be less than HK\$700,000.

On 22 August 2014, as agreed by the customer's consultant in writing, the completion date of the Wong Tai Sin Project will be extended to mid-September 2014, hence our Directors are of the view that we will not be subject to the abovementioned liquidated damages.

As the maximum additional costs (for the Un Chau Street Building Project, the Kap Pin Long Project and the Wong Tai Sin Project) and the maximum liquidated damages (for the Kap Pin Long Project and the Wong Tai Sin Project) as disclosed above are not significant, our Directors consider that even if we are not able to claim those costs and/or are liable for those liquidated damages, it will not cause material financial impact to our Group. Save and except for the Un Chau Street Building Project, the Kap Pin Long Project and the Wong Tai Sin Project, all other projects under progress of our Group have not experienced any delay in completion as at the Latest Practicable Date.

Projects awarded but not commenced as at the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract values of Major Projects awarded to us but not commenced amounted to approximately HK\$160.4 million. The following table sets out brief details of our Major Projects awarded but not commenced as at the Latest Practicable Date:

Our Group as sub-contractor:

Name of project	Sector of our customer <i>(Note 1)</i>	Main category of works <i>(Note 2)</i>	Expected project period <i>(Note 3)</i>	Contract sum <i>(Note 4)</i> <i>(HK\$ million)</i>
Oil Street Project	Private	Foundation	September 2014– April 2015	154.4
Tsuen Wan Project	Private	Foundation	September 2014– December 2014	6.0
			Total	160.4

Notes:

1. This refers to the sector (i.e. public or private) to which our customer (i.e. the counterparty who signed contract with our Group) belongs.
2. Types of works are based on the segments as classified in the financial statements of our Group.
3. Expected project period refers to the period from the date of commencement of our works to the expected date of completion of our scope of works as stipulated in the relevant contract.

4. Contract sum refers to the contract value as stated in the original contract.

SALES AND MARKETING AND CUSTOMERS

Sales and marketing

Most projects undertaken by us are awarded by way of tender. In this connection, we believe that past job reference, good relationship with customers and our network in the industry are assets valuable to us in bidding and winning future tenders.

Having regard to the growing number and value of tender invitations and contracts awarded to us, we believe we maintain good relationship with our customers. We have contacts with architects and other consultants in the construction industry to keep us abreast of market development and potential business opportunities. We also closely monitor forecasts for Hong Kong Government works and public tender notices. Other marketing activities undertaken by our Group include putting up banners and/or signages displaying the names and logo of our trademark at construction sites.

During the Track Record Period, we leased certain piling equipment to a Macau contractor, and carried out certain foundation works in Macau as a sub-contractor. Our Group currently does not intend to carry out marketing activities in Macau. However, we will consider any business opportunities in Macau if we are invited to submit tenders for projects in Macau.

We do not maintain a specialised team of sales and marketing staff. Instead, the marketing works are mainly conducted by our executive Directors and senior management. For instance, our Directors and senior management may, from time to time, be engaged in business or social engagements (such as presentations or experience sharing sessions), attend workshops or campaigns organised by professional institutions and provide sponsorships to professional institutions (such as the Hong Kong Institution of Engineers). These activities help us maintain relationship with our customers and build our reputation in the market. From time to time, we may also send to prospective clients our Group's brochures for marketing.

Customers

Our customers (who are the counterparties to our contracts) may be divided into two categories: (a) public sector (including the Hong Kong Government and its related organisations and institutional bodies such as the Housing Authority); and (b) private sector.

According to the IPSOS Report, there is no strict rule or practice in the market regarding the categorisation of a "public" sector project. As stated in the IPSOS Report, the benefit for a contractor to only treat the projects whose the immediate signing counterparty of the contracts are Government department as "public" projects (and excluding those projects whose ultimate owners are Government department but the main contractors are private companies) is for better credit risk management, as Government department by its nature will be less likely in default of payment comparing with private contractors as employers. Even when a contractor acts as sub-contractor in projects whose ultimate

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owners are Government, as its immediate signing counterparty of the contract is a private main contractor, it (being the sub-contractor) cannot enjoy benefit of the lower credit risk like when its counterparty is a Government department.

Public sector

For construction projects which we directly enter into main contracts with the Hong Kong Government departments or the Housing Authority, we act as main contractor. In such cases, the Hong Kong Government (or the relevant works departments) or the Housing Authority will become the employer of the project as well as our direct customer.

Private sector

In other cases, construction works are undertaken by us as sub-contractor via the administration of a general works main contractor. In such cases, the relevant Hong Kong Government department or public body will enter into a main contract with the general works main contractor of the subject project which specifies, among other things, that the main contractor shall enter into a sub-contract with a contractor with the requisite registrations. We will then enter into a sub-contract with the main contractor and accordingly, the Hong Kong Government or the Housing Authority will be the employer of the project, while the main contractor is our direct customer.

We also engage in private sector projects. Our private sector customers mainly include property developers in Hong Kong or their main contractors of the subject projects.

Our revenue and gross profit attributable to the two sectors

The following table sets out the revenue and gross profit attributable to our customers as categorised by public and private sectors and the relevant gross profit margin during the Track Record Period:

Sector	FY2012			FY2013			FY2014		
	Revenue (HK\$ million)	Gross profit (HK\$ million)	Gross profit margin (%)	Revenue (HK\$ million)	Gross profit (HK\$ million)	Gross profit margin (%)	Revenue (HK\$ million)	Gross profit (HK\$ million)	Gross profit margin (%)
Public	102.7	2.8	3	97.3	3.9	4	65.1	2.5	4
Private	88.2	17.0	19	133.1	33.0	25	397.9	82.7	21
Total	<u>190.9</u>	<u>19.8</u>		<u>230.4</u>	<u>36.9</u>		<u>463.0</u>	<u>85.2</u>	

As illustrated above, the respective gross profit margin for our public and private projects maintained at similar levels throughout the Track Record Period. The gross profit margin for our public projects was significantly lower than that of our private projects for the reason that governmental projects are awarded by way of public tendering and normally the bid in the lower end would be awarded with the contract.

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Our top five customers

During the Track Record Period, our five largest customers accounted for approximately 96.4%, 100% and 96.2% of our revenue, respectively. We have not entered into any long-term master contracts with any of these customers.

The following sets out the profile of our top five customers during the Track Record Period (except for FY2013, being top four customers):

FY2012

Name of customer	Approximate percentage to the total turnover of our Group for that year (%)	The calendar year in which the customer first started to have business relationship with our Group	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	Public/private sector
Customer A	53.8	2000	Government department	Civil engineering	Public
Customer B	26.6	2010	Property developer	Foundation and general building	Private
Customer C	6.1	2011	Contractor	Foundation	Private
Customer D <i>(Note)</i>	5.8	2003	Contractor	Foundation	Private
Customer E	4.1	2010	Contractor	Foundation	Private

FY2013

Name of customer	Approximate percentage to the total turnover of our Group for that year (%)	The calendar year in which the customer first started to have business relationship with our Group	Principal business or sector of the customer	Category of works undertaken by our Group for the customer	Public/private sector
Customer B	49.2	2010	Property developer	Foundation and general building	Private
Customer A	42.2	2000	Government department	Civil engineering	Public
Customer D <i>(Note)</i>	8.3	2003	Contractor	Foundation	Private
Customer F	0.3	2010	Education	Civil engineering	Private

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FY2014

Name of customer	Approximate percentage to the total turnover of our Group (%)	The calendar year in which the customer first started to have business relationship with our group	Principal business or sector of the customer	Category of works undertaken by our Group for the customer	Public/private sector
Customer B	66.6	2010	Property developer	Foundation and general building	Private
Customer A	14.1	2000	Government department	Civil engineering	Public
Customer G	7.9	2003	Contractor	Foundation	Private
Customer D <i>(Note)</i>	4.0	2003	Contractor	Foundation	Private
Customer H	3.5	2013	Property developer	Foundation and site formation	Private

Note: Customer D represents a group of entities which were owned by the same shareholder.

Among our five largest customers in each of FY2012 and FY2014 (and among our four largest customers in FY2013), (i) only Customer A, Customer B and Customer D were among our five (or, as the case may be, four) largest customers in all three financial years; (ii) Customer D only accounted for less than 10% of our revenue in each of the financial years during the Track Record Period; (iii) Customer A is a Government department (so our Directors consider that reliance on a public authority did not and will not have material adverse impact on our operations); (iv) the projects with Customer B (i.e. the Un Chau Street Foundation and Basement Project and Un Chau Street Building Project) are one-off in nature and thus in future we may or may not continue to undertake projects from it; and (v) our Directors and senior management will continue to expand our network with prospective clients in the market through the efforts as disclosed in the paragraph headed “Sales and marketing” above. For such reasons, our Directors consider that our reliance on our major customers can be reduced in the future.

None of our Directors, their associates or any Shareholder (who or which, to the best knowledge of the Directors, owns more than 5% of the issued share capital of the Company as at the Latest Practicable Date) has any interest in any of our five largest customers during the Track Record Period. All these five largest customers are Independent Third Parties. As at the Latest Practicable Date, some of our five largest customers during the Track Record Period were involved in litigations and/or charges. Those litigations or charges did not cause any material impact on us (whether in terms of payment to us by those customers or our relationship with them). We are not aware that during the Track Record Period, our Group experienced any major disruption of business due to material

delay or default of payment by our customers due to their financial difficulties. Our Directors further confirm that they are not aware any of our major customers having experienced material financial difficulties that may materially affect our Group's business.

Key contract terms with our customers

The key terms of our contracts generally apply to all three types of services provided by our Group. Generally, the major terms and conditions of the contracts between our customers and us (both as main contractor and sub-contractor) include the contract price, scope of works, duration of project, payment terms, retention money, performance bonds and liquidated damages, guaranteed maintenance period and termination of contract. In some of the contracts with the Government, there is a contract price fluctuation clause as disclosed in the paragraph headed "Operating procedures — Preparation and submission of tender documents" below.

Payment terms, retention money and guaranteed maintenance period

Please refer to the paragraph headed "Operating procedures — Inspection, rectification (if any) and application for payment and certification" below for details.

Performance bonds and liquidated damages

In order to secure due and timely performance of the main contractor, it is normal for customers in the private sector to request the main contractor to take performance bonds issued by a bank or an insurance company in favour of the customers. It is also common to include in the main contract a liquidated damages clause in relation to the main contractor's late completion of works. To provide for certain unforeseen circumstances which are beyond the control of the contractor (e.g. heavy rainfall, typhoon), a clause may be included in contracts for public works only for "extension of time" which the contractor may use to offset liquidated damage claims arising out of possible late completion of works. In addition, a clause in relation to "extension of time" may be included for both public and private works arising out of "variation order" which are additional works beyond the scope of the original contract and performed at the request of the customer.

Generally, the amount of performance bond required for a project undertaken by us would not exceed 10% of the total contract sum. The performance bond normally expires after completion of the project. As at 31 March 2012, 2013 and 2014, the amounts of outstanding performance bonds were approximately HK\$6.5 million, HK\$19.3 million and HK\$22.3 million respectively. We believe that we have a reputation for completing projects on schedule, and during the Track Record Period, no performance bond was called by our customers by reason of late completion of any of our projects.

Duration of construction projects

Construction periods of our projects are affected by a wide range of factors (including technical complexity, geological conditions, input of machines and labour and expectation of employers) and may vary widely. The construction periods as provided in the contracts varied from two to 36 months, and the actual length of our projects during the Track

Record Period varied from two to 48 months. Project duration may sometimes be lengthened due to unanticipated geological condition and exceptional technical complexities, for instance, adverse weather and variations of works.

Termination of contracts

Generally, our contracts provide that our customers are entitled to terminate the contract with us (either as main contractor or sub-contractor) if we:

- without reasonable cause fail to commence or suspend the works, or fail to proceed with the works with due diligence;
- sub-contract the works without written consent from the customer;
- fail to remove defective materials or make good defective works after being instructed by the customer.

On the other hand, for some private projects where we act as main contractor, we are entitled to terminate the contract if our customer fails to pay to us the amount due on any progress certificate within the period specified in the contract, or interferes with the issue of such certificate.

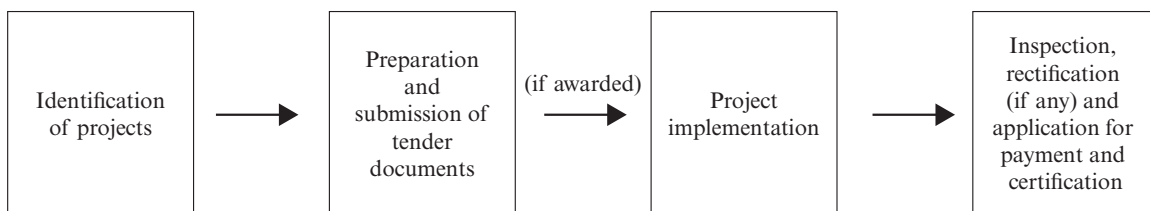
Specific term when we act as sub-contractor

When we act as sub-contractor in some projects, apart from those terms as disclosed above, the sub-contracting agreement generally includes an additional term in relation to our obligation as sub-contractor to observe the terms in the main contract.

OPERATING PROCEDURES

The customer base, requisite technical expertise and relevant regulatory licences and qualifications relating to the segments of foundation, civil engineering and general building works may be different. Nevertheless, since all three categories of works share essentially the same nature of construction projects, the relevant project workflows and our procedures for project execution for such businesses are substantially the same.

The key steps of our project workflows are as follows:



Our projects essentially concern with management of works contracts. The actual works undertaken by us and the duration of works commencing from the time of identification of a project, via bidding and award of a contract, and ultimately to its completion may vary according to the nature of the works contracts.

Identification of projects

Public sector projects

Contracts in the public sector in Hong Kong are normally awarded through open and competitive tendering procedures with a view to obtaining the best value for money. Tenders may be invited in the following ways:

(i) Open tendering

For government contracts with estimate value exceeding a certain limit, tender invitations are published in the Government Gazette and, if necessary, in the local press, on the internet and in selected overseas journals. Tender invitations for works contracts under such limit may only be published in the web site of the Financial Services and the Treasury Bureau. All interested eligible contractors or suppliers are free to submit tenders.

(ii) Selective tendering

Tender invitations are published in the Government Gazette, on the Internet, and/or sent by letter to all contractors/suppliers on the relevant contractors list(s) as maintained by the Development Bureau for the purpose of selective tendering.

(iii) Pre-qualified tendering

Tender invitations are sent by letter to those pre-qualified suppliers/contractors approved by the Permanent Secretary for Financial Services and the Treasury. Invitations for pre-qualification will be published in the Government Gazette. If necessary, the invitations for pre-qualification will also be published on the Internet, local press and selected overseas journals for the particular trade/product. Consulates and trade commissions in Hong Kong and known suppliers/contractors will also be notified of the invitations for pre-qualification by letter, where appropriate.

(iv) Single and restricted tendering

Tender invitations are sent to only one or a limited number of contractors/suppliers approved by the Permanent Secretary for Financial Services and the Treasury or the Director of Government Logistics. This tendering method is only used when circumstances do not permit open tendering, for example, on grounds of extreme urgency or security, or for protection of patents or copyrights.

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Construction services are procured by the individual works departments concerned under the general supervision of WBDB. In general, procuring departments are required to provide in the tender documents all the necessary information to assist the bidders to prepare their tenders, including standard contract forms covering the general aspects of tender and contract requirements, special conditions of contract, detailed price schedules, additional information and instructions applicable to a particular contract. The procuring department is responsible for evaluating the tenders to determine whether they meet the conditions and specifications laid down in the tender document.

Tenders are generally evaluated by the formula approach or the marking scheme approach. These two methods basically involve a systematic evaluation of the tenderer experience, past performance record and particular technical ability. The formula approach is applied to general works projects. The marking scheme approach is generally used for non-recurring and relatively more complicated projects, which require evaluation on particular ability and past experience on the contractor candidate. Both approaches take into consideration the quality of works of the tenderers in addition to their financial bids. For such reasons, a contract is not necessarily awarded to the lowest bid.

Public sector projects are sometimes contracted out by the main contractors to sub-contractors, and such sub-contractors may also be selected by way of tenders or upon private invitation. The selection criteria and process for sub-contracting are determined by the main contractors.

Housing Authority projects

The Housing Authority usually publishes tender notification on its website, which includes information on the contract title, brief description of works required, tender out date and tender eligibility list or group. If we are included in the relevant eligibility list or group and intend to take up a project after our internal assessment, we will send a letter to the Housing Authority to express our interest in tendering. If our letter of interest is accepted by the Housing Authority, an invitation letter for that particular project will be sent to us, and we will then submit a tender.

Private sector projects

For private sector projects, private sector customers (such as property owner, developer or their professional consultants) usually issue invitation letter(s) to potential tenderers for their respective construction projects. Invitation letter(s) issued by private sector customers normally include brief description of the works required and contact details of the office (from which forms of tender and further particulars of the projects may be obtained) and the closing time and date of the tender.

Appointment of our Group as a sub-contractor

From time to time, we are approached by main contractors of construction projects and requested to provide (after obtaining the preliminary specifications from the main contractors) an indication of our interest to act as their sub-contractor in the subject projects. We believe that our Group is selected by main contractors mainly based on the

information on the List of Registered Contractors maintained by the Buildings Department or the Approved Contractors Lists maintained by WBDB. Other factors that might be taken into account by main contractors include our Directors' connections, previous working relationship and referral from other customers or main contractors.

Preparation and submission of tender documents

Generally, we review the potential projects in hand to identify those which are profitable and manageable. We decide on which projects are to be pursued based on factors including the scope, complexity and particular specification of the projects, our ability to meet the specified timetable, prior experience, availability of resources and expertise, our current competitiveness and our financial conditions.

Our executive Directors are principally in charge of all the tenders. Our Directors believe that tender review procedure is crucial to our business because most of our projects are secured through competitive tendering, and such review procedure allows us to budget for a project efficiently and accurately. Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors, such as our ability to allocate plant and machinery and manpower resources efficiently, select the appropriate sub-contractors, procure materials and estimate and stay within the budget. Tender price is important, particularly for private sector projects, because once the tender price is fixed, the contractor generally will have to bear any additional costs incurred.

For certain public sector projects (in which we act as main contractor), there is a price adjustment mechanism (both upward and downward adjustments). Pursuant to such mechanism, the fees that we may receive from the Government under a contract will be adjusted (both upward or downward, and subject to a prescribed extent) for changes in certain cost elements after the tender price is fixed with reference to certain price indices. Price indices which may be used include the index for the average daily wages of workers engaged in the public sector construction projects and the index for the average wholesale prices of selected materials compiled and published by the Census and Statistics Department.

Pre-qualification

For projects requiring particular specialty on the part of the main contractor or for large-scale projects, we are required to make pre-qualification submission so as to allow the customer to assess our eligibility to tender. Our Directors believe that customers, in their assessment, take into account various factors, such as our organisation and resources, past job experience, proposed human resources deployment for the project, proposals for undertaking the project and safety and environmental protection track records.

Tender review and preparation process

Once we receive the tender documents, we will assess the feasibility of undertaking such project based on the technical requirements, completion time, quality expectation and possible risk factors associated with such project.

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The general manager(s) and contract manager of our Group review the requirements related to the projects in tender documents in order to ensure the requirements are adequately defined and that we have the capability to meet the defined requirements before submission of tender. Our project manager will also visit the site at which the project is to be taken in order to conduct a better assessment on the complexity of works to be involved.

When reviewing a proposed tender, our executive Directors will, based on their experience and market knowledge, consider whether the tender is competitive in terms of pricing whilst certain level of profitability (having regard to the associated risks) can be achieved during their review of the tender documents. For foundation and general building works which may generally have higher risk level, our bids will usually be higher to cover the comparatively higher level of risk.

Upon finalising the bill of quantity and other documents required for submission, our Group will submit the tender documents to the relevant counterparty. Our general manager takes the overall lead in the entire tender process and follows up with the potential customers on their requirements and the details of our tender.

Our Un Chau Street Foundation and Basement Project was a “design and build” contract of foundation works (which require design input). In this case, the customer (or its consultant who was usually the architect engaged by the customer) provided us with the ground investigation reports composed by contractors appointed by it and the loading schedules. It also provided us with the foundation layout designs for our reference and we engaged outside engineering consulting firm to take up the foundation layout design for us.

For some contracts which we are allowed to recommend adjustment option(s) to the conforming design layout, appropriate adjustment proposals may be made by our project manager(s) (subject to approval by client or its authorised person) so as to reduce the cost of the project and to cope with uncertainties which may be encountered during construction.

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Tenders submitted during the Track Record Period

The table below sets out the number of projects tendered for and won by our Group for the Track Record Period by project nature:

	Foundation	Civil engineering	General building	Total
For FY2012				
Total number of projects tendered for (<i>Note 1</i>)	6	8	2	16
Total number of projects won	3	2	2	7
Success rate	50.0%	25%	100.0%	43.8%
For FY2013				
Total number of projects tendered for (<i>Notes 1 & 2</i>)	10.5	2.5	2	15
Total number of projects won	2	0	1	3
Success rate	19.0%	0%	50.0%	20.0%
For FY2014				
Total number of projects tendered for (<i>Notes 1 & 2</i>)	59	11	4.5	74.5
Total number of projects won	7	1	1	9
Success rate	11.9%	9.1%	22.2%	12.1%

Notes:

1. We may prepare tenders for more than one main contractor for the same project. In such case, the number of projects is counted as one project in the table.

For some projects won during a particular financial year but which their relevant tender proposals were submitted in the previous financial year, those tenders were counted as submitted during the financial year in which our Group won those projects.

2. The "0.5" project in each of the foundation works and civil engineering works category refers to a single project involving both foundation and civil engineering works in similar proportion in terms of contract sum.

Our Group's strategy is to submit tenders for various categories of projects. This is to keep our presence in the market in order to remain on the contractors list, as well as to keep abreast of latest market requirements and pricing which is useful in tendering similar projects in future. Due to such strategy, the overall tender success rates of our Group during the Track Record Period were relatively low and fluctuated among the three segments and during the Track Record Period as set out in the table above.

Our Directors consider that the price indicated in our tender submissions made in FY2013 may not be as competitive as other contractors, resulting in a drop of success rate in that financial year as compared with FY2012. In FY2014, we received significantly more invitations from our potential customers in the private sector. However, as we were implementing the Un Chau Street Building Project which required us to devote more human and financial resources at that time, we only included more competitive terms in selectively few tender proposals, which led to a further drop of success rate as compared with FY2013.

After 31 March 2014 and up to the Latest Practicable Date, our Group was awarded as main contractor of two foundation projects and one civil engineering project, and as sub-contractor of five foundation projects, and the aggregate estimated contract sum is approximately HK\$650.6 million. Construction of six of these Major Projects has commenced before the Latest Practicable Date. For the expected commencement date and other details of the other two Major Projects, please refer to paragraph headed “Projects awarded but not commenced as at the Latest Practicable Date” above in this section.

Project implementation

The implementation process includes formation of a project management team, procurement of materials and equipment (if necessary) and selection and appointment of sub-contractors (if necessary). Throughout the project implementation process, we generally assume the role of co-ordinating with customers, sub-contractors (if any) and materials and equipment suppliers, and to take charge of the related management of these works.

Formation of a project management team

Once a contract is awarded, usually a team will be formed to administer and supervise the implementation of the project. It generally comprises a contract manager, a project manager, foremen, safety officers, site engineers and a number of technical staff chosen by the project manager. The contract manager will update our executive Directors regularly on the progress and status of the project.

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The table below sets out the main responsibilities of each key member in a project team:

Position	Responsibilities
General manager	Responsible for the overall operation of our Group including: <ul style="list-style-type: none">● establishing company policy● reviewing management and promoting continual improvement● reviewing resources and capability
Project manager	Responsible for assisting the general manager and performing the following functions: <ul style="list-style-type: none">● monitoring the overall operation of the project● managing and controlling the operation of the project● assessing the qualification and experience of all staff● preparing and reviewing the project plan● performing measurement● improving the project
Contract manager	Responsible for: <ul style="list-style-type: none">● reviewing the customer requirement● informing the related staff about the amended service requirement● ensuring the fulfilment of the requirements in contracts
Engineer/assistant engineer	Responsible for: <ul style="list-style-type: none">● overseeing the engineering aspects of the development of the design, production of the construction documents in a project● liaising with our customers and representatives of consultants on site
Foreman	Responsible for: <ul style="list-style-type: none">● supervising at construction sites to ensure works are carried out in accordance with specifications and drawings● checking all machinery and plant, including power and hand tools, to ensure their good condition
Safety officer	Responsible for: <ul style="list-style-type: none">● advising site management on safety issues including prevention of injury and damage to plant equipment, and legal requirements and laws and regulations affecting safety and healthy

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Position	Responsibilities
Safety supervisor	<ul style="list-style-type: none">● assisting with safety trainings for all levels of employees● supervising the analysis and information on injuries and damage, assess accident trends and thus review overall safety performance● recommending the use of posters, slides or films to promote awareness of injury prevention and damage control <p>Responsible for:</p> <ul style="list-style-type: none">● assisting the safety officer in promoting safety and health● supervising the observance by the works of the safety standards● submitting weekly report to the safety officer or the proprietor

As part of the project implementation, we may have to procure materials and equipment and/or engage sub-contractors to take up part of our works. For details, please refer to the paragraph headed “Suppliers and sub-contractors” below.

In provision of our construction services, we rely on the expertise and experience of our management and staff, as well as our machinery and plants for our foundation and civil engineering works particularly. Our Directors believe that this is in line with the industry norm and is sufficient to our business operations, and we currently have no intent to conduct research and development with our internal resources.

Inspection, rectification (if any) and application for payment and certification

Inspection, rectification (if any) and guaranteed maintenance period

Our customers would normally require a guaranteed maintenance period (or back-to-back guaranteed maintenance period if we act as sub-contractor), during which we are responsible for rectifying construction defects. The guaranteed maintenance period is usually 12 months, depending on the nature and scale of the project. In such connection, we may require a similar guaranteed maintenance period from our sub-contractors.

Under the usual terms of the construction contracts, we are liable to rectify all defective works (if any) during the guaranteed maintenance period. Our project management team conducts rectification on the defective works identified by our customers. After completion of the rectification works, our customers or architects and/or engineers employed by them are required to issue a certificate indicating their satisfaction of the rectification works. During the Track Record Period, we did not

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experience any material claim of over HK\$0.1 million by our customers in respect of our works, and have not made provision for any repair and maintenance cost in respect of defective works during the guaranteed maintenance period.

Progress payment and retention money

We normally receive progress payment from customers on a monthly basis with reference to the value of works done.

The following table sets out a typical timeline for receipt contract sums by our Group based on value of works done:

Milestone	Timeline
— our Group sends to architects or engineers application for interim payment	usually monthly during contract period
— authorised representative of customer issues progress certificate	certificate normally ranging from 30 days from the date of interim payment application
— customer makes payment to our Group	approximately within 30 days from the date of presentation of invoice (or, as the case may be, issuance of progress certificate)
— our Group receives half of the retention money from customer	upon the issue of certificate of completion of construction works under the contract
— our Group receives the remaining half of the retention money from customers	upon the issue of certificate of completion of making good defect after the expiry of the maintenance period

In general, we send an interim payment application to the architect or engineers employed by our customers on a monthly basis according to the amount of works completed during the month. Once we send such monthly application, the authorised representative (who is usually the architect or quantity surveyor employed by the customers) will issue a progress certificate, certifying the works progress in the preceding month. It normally takes about 30 days from the date of interim payment application for such certificates to be issued. Following the issue of such certificate, the customer is generally obliged to pay our Group the amount certified less retention money. For some projects, no invoice is issued by our Group. However, for certain private customers and at their request, our Group may issue a debit note or invoice based on the progress certificate issued. Payments are generally made within 30 days after the issue of the progress certificate by our customer.

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In most construction contracts, there is a contract term for the customers to hold up retention money from the progress payment. The maximum retention money for each project is generally 5% of the total contract sum. Generally, the first portion of the retention money is released within a period of time after the issue of certificate of completion of the project, and the second portion of the retention money is released to us after the issue of maintenance certificate after the expiry of the guaranteed maintenance period. As at 31 March 2014, retention receivables held by our customers included in total trade receivables amounted to approximately HK\$29.2 million.

Our Group recognises construction contracts revenue based on the stage of completion of the respective contracts. Our customer (or its authorised person) will issue a progress certificate certifying the value of the construction work-in-progress for the preceding month. When recognising the construction contracts in progress at the end of the reporting period, the percentage of completion will be measured by the percentage of construction costs incurred to date as compared to the estimated total construction costs for the project.

Similarly, we normally pay our sub-contractors on a monthly basis with reference to the value of the works done. If the main contract adopts milestone payment, we will, to the extent practicable, seek payment term for sub-contractors on similar basis. We will release on a monthly basis to the sub-contractor the relevant proportion of the sub-contracting amounts within approximately 14 days after we receive payment from our customers, but will hold up retention money. The retention money held by the Group from sub-contractors ranges from 1% to 10% of the monthly payment and is normally subject to a mutually agreed cap (which is normally 5% of the total sub-contract sum). As at 31 March 2014, aggregate retention moneys payable to our sub-contractors held by us amounted to approximately HK\$23.1 million.

In the case of us being a sub-contractor, we normally settle the progress payment and retention money with the main contractor in the similar manner as we pay our sub-contractors mentioned above.

SUPPLIERS AND SUB-CONTRACTORS

Procurement of materials and machinery

Most of the works involved in our foundation and civil engineering projects require the use of machinery and construction materials. In contrast, for general building works, machineries are used less extensively and we focus mainly on the procurement of the materials and equipment for general working purpose, which major equipment includes lifting gears, concreting equipment (such as vibration plate and vibration poker), temporary power supply equipment, air compressor, pump and hose (for dewatering) and breaking equipment (such as jack hammer and coring machine).

For our foundation and civil engineering works, we purchase machinery and related accessories to support the expected increase in our workloads and to replace aged machinery and parts. Our major machinery includes reverse circulation drill, crawler cranes, excavators, oscillators and hydraulic hammer. They are mainly manufactured in Europe and Japan.

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Major construction materials used by us include concrete, fuel and oil, steel reinforcement, steel H-pile and mild steel casing, which are sourced by our Group in Hong Kong. Proposed materials will be approved by the customer via our project management team prior to order. Among the major construction materials used, the cost of steel-type materials is usually the highest.

Generally, unless the customers require us to select suppliers nominated by them, we select our suppliers from our approved list of suppliers. The amount and timing of construction materials to be ordered are assessed by the project manager of our project management team on a project-by-project basis depending on the progress of works and specific requirements of each project. Materials purchased by us are normally delivered by the supplier to the construction site directly. We generally do not keep excess inventory.

For general building works projects of which we are usually the main contractor, unless specified under the agreement which we may have entered into with the sub-contractor, we are responsible for the procurement of major construction materials for the project, including concrete and reinforcement steel. Our sub-contractors are responsible for the procurement of construction materials required for them to complete their works. The construction materials purchased by sub-contractors are usually paid by them and are inclusive under the sub-contracting fees payable by us to them. We would take into account our estimated procurement costs of construction materials when considering the price of our tender before making tender application.

As at the Latest Practicable Date, there were about 60 suppliers on our approved list of suppliers. Generally, we select our suppliers based on their prices and past performances and none of our suppliers have entered into any long term supply agreements with us. Generally, we enter into agreements for supply of materials with our suppliers after we have been awarded a construction contract. We then place delivery order approximately from a few days to one month in advance depending on the types of materials to be ordered. During the Track Record Period, we have not experienced any significant delay in delivery of raw materials by our suppliers causing disruption to our works.

For contracts undertaken by us as a sub-contractor, if the sub-contracts entered into between us and the main contractor so provides, the main contractor is responsible for purchasing the required materials for us to carry out the sub-contracted works concerned.

For our previous Macau projects and any future projects in Macau, our Group employed and will employ specialist transportation company to ship the required machinery to Macau.

Payment terms

Materials, machinery and general works equipment purchased by us are normally settled by cheque payments in Hong Kong dollars. Our suppliers normally grant to us credit period of approximately 30 days.

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Construction materials costs and our five largest suppliers during the Track Record Period

We incurred approximately HK\$6.6 million, HK\$21.6 million and HK\$25.4 million in construction materials costs for FY2012, FY2013 and FY2014 respectively, representing approximately 3.9%, 11.2% and 6.7% of our cost of sales for each of the respective financial years. Construction materials costs incurred for our largest supplier (excluding our sub-contractors) in each financial year accounted for approximately 38.5%, 57.1% and 56.6% of our total construction materials costs for each of FY2012, FY2013 and FY2014 respectively, and construction materials costs incurred for our five largest suppliers (excluding our sub-contractors) in each financial year accounted for approximately 91.3%, 97.6% and 92.0% of our total construction materials costs for each of the respective financial years. Our Directors consider that there are sufficient suppliers of direct materials (including concrete and cement, steel bars and other metal materials) in the market. As disclosed above, as there were about 60 suppliers on our approved list of suppliers as at the Latest Practicable Date, it is flexible for us to engage alternative suppliers.

Please refer to the paragraph headed “Risk factors — Risks relating to our construction business in general — Our financial performance may be adversely affected if there are changes in the sub-contracting charges or construction materials costs after tendering or when there is material change in the project implementation timetable” in this prospectus for the sensitivity analysis in relation to the direct materials costs. As disclosed in the paragraph headed “Operating procedures — Preparation and submission of tender documents” above, there may be a price adjustment mechanism (both upward and downward adjustments) in certain public sector projects (in which we act as main contractor). Pursuant to such mechanism, the fees that we may receive from the customer (i.e. the Government) under a contract will be adjusted (both upward or downward, and subject to a prescribed extent) for changes in certain cost elements (e.g. wages and selected materials costs) after the tender price is fixed with reference to certain price indices. In contrast, our private projects or projects in which we act as sub-contractor are based on fixed-price contracts where we are required to complete a project at a fixed price, and may thereby be subject to cost overruns. Please refer to the paragraph headed “Risk factors — Risks relating to our construction business in general — We estimate project duration and costs to determine the tender price, but the actual implementation of a project may not accord with such estimation. Delay in completion of any project which is due to our fault may result in liquidated damages being payable by us” for further details of fixed price contracts.

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The following sets out the profile of our five largest suppliers (excluding our sub-contractors) for the three financial years in the Track Record Period:

Name of supplier	The financial year being our five largest suppliers (excluding our sub-contractors)	The calendar year in which the supplier first started to have business relationship with our Group	Principal business
Supplier A	FY2012–FY2014	2001	Steel supplier
Supplier B	FY2013–FY2014	2012	Concrete supplier
Supplier C	FY2013–FY2014	2012	Concrete supplier
Supplier D	FY2012	2011	Metal supplier
Supplier E	FY2013–FY2014	2012	Building materials supplier

None of our Directors, their associates or any Shareholders (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) have any interest in any of our five largest suppliers (excluding our sub-contractors) during the Track Record Period. All these five largest suppliers are Independent Third Parties.

Inventory

We did not record inventory at the end of each financial year mainly because (i) our Group generally did not keep excess inventory of construction materials due to limited storage space at our construction sites; and (ii) the construction materials were usually delivered by our suppliers directly to our construction sites for immediate consumption. Our Directors consider that the amounts of construction materials remained at our construction sites as at 31 March 2012, 2013 and 2014 were insignificant to our Group. Accordingly, the costs of construction materials were accounted for as an expense and included in cost of sales in the combined statements of profit or loss and other comprehensive income of our Group for FY2012, FY2013 and FY2014.

Sub-contracting

In line with the usual practice of the construction industry in Hong Kong, we do not maintain a large workforce of skilled labour in different specialised areas and semi-skilled labour. To maximise our cost efficiency and flexibility, and to utilise the expertise of other properly qualified specialist contractors, we sometimes engage third party sub-contractors to perform a portion of the works under our contracts. As such, we are able to undertake

projects which are labour intensive and require specific construction skills through a significant pool of workers and technical staff in specific trades without the need to keep them as our employees. Such arrangement enables us to focus on quality control and overall project management and in turn allows us to deploy our resources in a more cost-effective manner.

Our sub-contractors are not our employees or agents. We do not have any employment arrangement with our sub-contractors and their employees.

For our foundation and civil engineering projects, we generally sub-contract part of the construction works to qualified sub-contractors by entering into separate contracts with them. The works sub-contracted include welding, steel bar fixing, concrete coring, excavation, pile cap construction, site investigation and foundation layout design. Our decision to sub-contract is made depending on our internal resources then available, cost effectiveness, licensing or specialist requirements, and level of works complexity.

For our general building works, we delegate most of the construction works to our sub-contractors. The works sub-contracted include installation of lifts, aluminum windows, louvres, glass balustrade, curtain wall and cladding and interior fitting out works.

During the Track Record Period, some of the projects undertaken by our Group involve some degree of sub-contracting.

Usual terms of contracts with our sub-contractors

The terms of our contracts with sub-contractors, to certain extent, vary in accordance with the terms of the main contracts with our customers or main contractors (as the case may be) to meet the contractual requirements of our employers. However we generally adopt the following principal terms in a typical contract made by us with a sub-contractor for any major works:

- scope of works and sub-contracting rates or price, which will provide that it is inclusive of the costs of construction materials, labour costs and miscellaneous expenses to be incurred by the sub-contractor;
- rights and obligations of the parties, such as the arrangement as to who is responsible for effecting relevant insurance, the sub-contractor's obligations to observe the terms in the main contract and to procure construction materials. Normally we are responsible for effecting employees' compensation insurance and contractors' all risks insurance. Types of insurance that are usually effected include insurance against injury to persons or property, insurance of the works against fire and employee's compensation insurance;
- prohibition of assignment or sub-contracting by the sub-contractor of all of their works under the sub-contracting agreement, unless with the prior consent of the architect of our customer (in case of nominated sub-contractor) and us;

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- liquidated damages, which are payable by the sub-contractor if the sub-contractor fails to complete the works before the specified completion date;
- retention money, where we will retain, on average, a maximum of 5% of the total amount of fees payable to the sub-contractor as retention money. The retention money would be released to the sub-contractor generally within 14 days after we have received the retention money from our customer, and the amount to be released by us will be the payment amount of works of our sub-contractor as certified in the payment certificate issued by our customer or its consultant monthly;
- compliance, where the sub-contractor is obliged to comply with all the relevant rules and regulations in connection with the works and the sub-contractor's responsibilities and policies relating to quality control, work safety and environmental protection;
- termination, which provides for our right to terminate the sub-contracting agreement in the event that sub-contractor suspend its works without reasonable cause, and sub-contractor persistently neglect to rectify defective works or remove improper materials; and
- undertakings by sub-contractor to indemnify our Group against:
 - (i) any breach, non-observance or non-performance by the sub-contractor or its servants or agents of the provisions of the main contract;
 - (ii) any act or omission of the sub-contractor, its servants or agents which involve our Group in any liability to our customer under the main contract;
 - (iii) any claim, damage, loss or expense due to or resulting from any negligence or breach of duty or relevant rules and regulations on the part of the sub-contractor, its servant or agents; and
 - (iv) any loss or damage resulting from any claim under any statute in force for the time being by an employee of the sub-contractor in respect of personal injury arising out of or in the course of his employment.

Our Directors confirm that they are not aware of any instances during the Track Record Period, where our Group's sub-contractors assigned or sub-contracted all of their works without our prior consent and there were no instances where we terminated the engagement with our sub-contractors.

Criteria for selecting sub-contractors

There are two types of sub-contractors, namely, (i) those who are nominated by our customers and (ii) those selected by us. The pricing and major contractual terms (i.e. those as disclosed in the paragraph headed "Usual terms of contracts with our sub-contractors" above and payment method as disclosed in the paragraph headed "Sub-contracting charges

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and payment to our sub-contractors” below) of these two types of sub-contractors are substantially similar, save for the sub-contractors selected by us the relevant sub-contracts usually do not prohibit assignment or further sub-contracting by the sub-contractors. The sub-contracting charges incurred by us attributable to these two types of sub-contractors for the three financial years during the Track Record Period are as follows:

Our sub-contractors	Sub-contracting charges incurred in					
	FY2012		FY2013		FY2014	
	<i>Amount</i> <i>(HK\$ million)</i>	<i>Proportion</i> <i>(%)</i>	<i>Amount</i> <i>(HK\$ million)</i>	<i>Proportion</i> <i>(%)</i>	<i>Amount</i> <i>(HK\$ million)</i>	<i>Proportion</i> <i>(%)</i>
Nominated by our customers	152.0	100	2.8	1.8	98.0	29.8
Selected by us	—	—	149.1	98.2	230.8	70.2
Total	152.0	100	151.9	100	328.8	100

All of our sub-contractors are Independent Third Parties, except for Sub-contractor A (of which Mr. Lee Siu Lam, Anderson was an indirect substantial shareholder). Mr. Lee is a director of both NC Foundation and NC Engineering during the Track Record Period and as at the Latest Practicable Date and he ceased to have any shareholding interest in Sub-contractor A in November 2013. Sub-contractor A was one of our five largest sub-contractors during the Track Record Period (see paragraph headed “Our five largest sub-contractors during the Track Record Period” below for further details). We maintain a pre-approved list of sub-contractors and the sub-contractors are selected based on their past performance and quotations.

Vicarious liability and control measures

In general, we are liable to our customers for the performance of our sub-contractors under the main contract entered into between us and our customers. These include the acts, defaults or neglects of the sub-contractors.

As a safeguard, sub-contractors are required to observe, perform and comply with all the provisions under the main contracts of the relevant projects entered into between us and our customers, and they are deemed to have notice of most of the provisions of the main contracts. They shall send representatives to attend site meetings with us regularly or co-ordination meetings if so required by us. Usually they are required to order materials and equipment with reference to our requirements. Sub-contractors are also responsible for making good all defects, shrinkages or other faults in the sub-contract works within a reasonable time after receiving instructions from us.

As a further safeguard, we have been taking out employees’ compensation insurance to cover compensation and costs liable by our Group for personal injuries of the employees of our sub-contractors in respect of the relevant construction project. As for the employees’ compensation claims and personal injuries claims, our Group was covered by the relevant insurance policies during the Track Record Period and up to the Latest Practicable Date. Please refer to the paragraph headed “Insurance” in this section for further details.

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In order to monitor the performance of our sub-contractors and to ensure that our sub-contractors comply with the sub-contracting agreement terms and the relevant laws, rules and regulations, we have put in place the following control measures:

- management team members act in accordance with the manuals of our IMS;
- re-evaluation is carried out on the performance of the sub-contractor when necessary; and
- a monetary penalty scheme is imposed on the sub-contractors such that their sub-contracting charges will be deducted in accordance with their breach of our safety rules.

Employees of our sub-contractors are required to possess all relevant certificates as required under the relevant laws and regulations. To ensure that they possess such certificates, our sub-contractors are not permitted to commence any construction works, unless all the relevant certificates of their employees required for the carrying out of the construction works are given to the relevant project management team for registration. We are also committed to the prohibition of recruitment of illegal workers. We require all workers (including those employed by our sub-contractors) entering our construction sites to gain entry on arrival using their access cards which contain their record. Those who fail to produce their access cards will be denied access to our construction sites. During the Track Record Period, no illegal workers were reported on the sites of any of our construction projects.

List of our sub-contractors

Our Directors believe that we maintain good working relationship with our sub-contractors. Up to the Latest Practicable Date, one of our top five sub-contractors had business relationships with us for at least 7 years. During the Track Record Period and up to the Latest Practicable Date, we had about 120 active sub-contractors on our approved list of sub-contractors who generally respond to our request for quotation for works. We believe that our stable relationship with our sub-contractors enables us to have a thorough understanding and assessment of their performance over the years, which in turn allows us to ensure their quality of works. To avoid relying on a few sub-contractors to perform tasks which require specific skills, we maintain more than one sub-contractor for each area of expertise on our pre-approved list of sub-contractors, such as lifts installation and interior fitting out works. During the Track Record Period, none of the sub-contractors were removed from our pre-approved list of sub-contractors due to poor performance in sub-contracting works.

Sub-contracting charges and payment to our sub-contractors

We usually apply for the issuance of payment certificate from the architect employed by the customer certifying the work progress done by us and our sub-contractors (if any) on a monthly basis, upon receiving the application from our sub-contractors. Our customers are then required to make payments within approximately 30 days after the issuance of the payment certificate. We usually specify in the sub-contracts that payments to our sub-

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contractors are made by us within 14 days after we have received payment from our customers, and the amount payable is determined in accordance with the amount as specified in the payment certificate. During the Track Record Period, there was no default in the making of payment by our customer to us in relation to the sub-contractors' work.

In order to manage our cash flows in terms of matching of payments from customers with payments to sub-contractors, our accounts department would closely monitor the incoming and outgoing cash flows by monitoring our management accounts, which are updated on a monthly basis. Our accounts department also regularly conducts aging analysis of accounts receivable from our customers.

The sub-contracting charges incurred by us amounted to approximately HK\$152.0 million, HK\$152.0 million and HK\$328.8 million for FY2012, FY2013 and FY2014 respectively, representing approximately 88.9%, 78.5% and 87.0% of our total cost of sales for each of the respective financial years. For each individual project, the amount of sub-contracting charges payable are largely dependent on the extent of involvement of sub-contractors, which is in turn subject to the nature and method of construction works required.

Please refer to the paragraph headed "Risk factors — Risks relating to our construction business in general — Our financial performance may be adversely affected if there are changes in the sub-contracting charges or construction materials costs after tendering or when there is material change in the project implementation timetable" in this prospectus for the sensitivity analysis in relation to the sub-contracting costs.

Our five largest sub-contractors during the Track Record Period

The extent of involvement of sub-contractors, and thus the sub-contracting charges, are considered and estimated when we prepare for tendering of each project. Accordingly, our Directors believe that the slight fluctuation of sub-contracting charges, if any, will not have material impact to our Group's financial performance, save for the gross profit margin which is affected by the proportion of sub-contracting charges relative to total revenue. Sub-contracting charges attributable to our largest sub-contractor for each financial year accounted for approximately 66.0%, 60.4% and 25.0% of our total sub-contracting charges for each of FY2012, FY2013 and FY2014 respectively, while our five largest sub-contractors for each financial year accounted for approximately 97.4%, 98.3% and 80.6% of our total sub-contracting charges for each of the corresponding financial years. Our Directors consider that there are sufficient sub-contractors in the market which are suitable for us to delegate some of our works. As disclosed above, as we had about 120 sub-contractors on our approved list of sub-contractors as at the Latest Practicable Date, we are flexible to engage alternative sub-contractors to take up part of our works.

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The following sets out the profile of our five largest sub-contractors for the three financial years in the Track Record Period:

Name of sub-contractor	The financial year being our five largest sub-contractors	The calendar year in which the sub- contractor first started to have business relationship with our Group	Services provided
Sub-contractor A <i>(Note)</i>	FY2012–FY2014	2007	Slope works
Sub-contractor B	FY2013–FY2014	2012	Building works
Sub-contractor C	FY2014	2013	Electrical and mechanical installations
Sub-contractor D	FY2014	2014	Interior fitting out works
Sub-contractor E	FY2013–FY2014	2014	Curtain wall/ cladding/ window works

Note: From the commencement date of the Track Record Period to 1 November 2013, Mr. Lee Siu Lam, Anderson, who was (and still is) a director of both NC Foundation and NC Engineering, was an indirect substantial shareholder of Sub-contractor A. Accordingly, Sub-contractor A was a connected person of our Company (assuming our Group was subject to the Listing Rules' requirements at that time).

None of our Directors, their associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our five largest sub-contractors during the Track Record Period (except for Sub-contractor A as disclosed in the note above). All these five largest sub-contractors are Independent Third Parties (except for Sub-contractor A for a certain period as disclosed in the note above).

MACHINERY

As disclosed in the paragraph “Suppliers and sub-contractors — Procurement of materials and machinery” of this section above, most of the works involved in our foundation and civil engineering projects require the use of machinery. We have been acquiring machinery which were mainly manufactured in Europe and Japan. We believe that investment in such machinery has placed us in a strong position to cater for larger scale and more complex foundation contracts, and to meet the expected growing demand in

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major infrastructure and building developments in Hong Kong in the foreseeable future. For FY2012, FY2013 and FY2014, we acquired new machinery in the amount of approximately HK\$3.3 million, HK\$9.9 million and HK\$24.8 million, respectively. As at 31 March 2014, our machinery had a total net book value of approximately HK\$32.5 million. After 31 March 2014 and up to the Latest Practicable Date, we acquired piling equipment which amounted to HK\$19.8 million, and such acquisitions were financed by way of finance lease and cash flow generated from our operations. We also ordered certain additional piling equipment for HK\$1.4 million which our Group intends to finance by way of cash flow generated from our operations or finance lease.

As at 31 March 2014, our Group had over 300 pieces of machinery and equipment in use. Some of the principal machineries of our Group (with initial cost of acquisition of over HK\$1 million) are set out below:

Name of machinery	Principal functions	Year of acquisition	Cost of acquisition (HK\$ million)
Reverse circulation drill	to excavate hard materials during large diameter bored piling operations	2013	8.66
Crawler crane	for grabbing, chiseling and lifting during large diameter bored piling operations	2013	8.00
Hydraulic casing oscillator	together with the crawler crane as excavation tool to form bore holes into the ground during large diameter bored piling operations	2013	4.81
Hydraulic piling rig	to drill in soil and clay and to conduct pile driving	2013	4.00
Piler	to drive piles into soil	2000	2.75
Hydraulic hammer	to install temporary casings into the ground	2007	1.60

As at the Latest Practicable Date, our Group had 10 machinery operators and they held the relevant certificates for operating the machineries. As advised by our Hong Kong legal advisers, our operators possess all relevant certificates (where required) for operating the above machineries.

We place high importance to the maintenance of our machinery. We believe that always maintaining our machinery in good conditions is crucial for us to carry out construction works smoothly and efficiently. Repairing of our major machinery is usually carried out by third party maintenance specialists. The average age of our major machinery (with initial cost of acquisition of over HK\$1 million) is approximately six years as at 31 March 2014. Our major machines are inspected and serviced regularly, and also after they are relocated to another works site. They are generally serviced at construction sites where the machines are located. The frequency of inspection and servicing depends on the types of

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machines, extent of their being used and the working conditions at site areas. We replace the aged machinery only when the replacement is necessary. During the Track Record Period, we disposed of some equipment and machine with an aggregate value of HK\$6.4 million which had become obsolete.

Finance lease

Among the plants and machinery which our Group acquired in FY2013 and FY2014, plants and machinery having net book value of HK\$7.7 million and HK\$13.1 million as at 31 March 2014 were financed by way of finance leases which terms are from two to four years. Under such arrangement, our Group purchased certain machines from suppliers, sold them to bankers and the bankers leased back those machines to our Group at stipulated monthly rents at a fixed term. No arrangements have been entered into by our Group for contingent rental payments. Under these finance leases, we were given options to purchase these machines at a nominal amount at the end of the lease term. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the machines to our Group as lessee, the relevant machines were accounted for as our Group's assets under the category of property, plant and equipment. Our Group had machinery under finance leases with net book value amounting to approximately HK\$8.7 million and HK\$20.9 million as at 31 March 2013 and 2014 respectively, representing approximately 61.5% and 64.2% of the net book value of machinery as at the respective dates. The finance leases carry interest at the rate per annum of 3% to 3.25%.

Utilisation rate (not available)

Due to the unique nature of our foundation and civil engineering businesses and operations, it is not feasible and not practicable to quantify and disclose detailed utilisation rate of our machinery for the following reasons:

- (i) the utilisation rate of individual machines cannot be clearly defined. A typical foundation or civil engineering project requires the use of different machines at different stages, and machines from time to time are left unused in active construction sites pending completion of other stages. Machines are also sometimes left unused for repairing, assembling or disassembling in construction sites. For such reasons, it is our Directors' view that it would be difficult and not meaningful to define accurate utilisation rate of machines in general. Furthermore, it is not practicable for us to make a full account of the daily or hourly usage of each individual machine; and
- (ii) as at 31 March 2014, our Group had over 300 pieces of machinery and equipment in use. A foundation or civil engineering project usually requires several types of machines and equipment. For such reasons, it would be difficult for us to identify one of a few types of machinery and equipment that are most crucial to the operation of the Group.

Machinery leased to other parties

Our machines are usually mobilised from one construction site to another depending on the works progress and requirements of different projects. Unutilised machines will be temporarily stored in premises owned by Independent Third Parties or other construction contractors, or those designated for storing of machineries by different contractors in the construction industry. Occasionally and if opportunities arise, our machinery are leased to other third party machinery companies and contractors. However, we are not actively pursuing (and do not intend to pursue actively) business opportunities in machinery leasing, as such activities are conducted only for increasing utilisation of idling resources.

CREDIT POLICY

After entering a formal contract, we will closely monitor the payments from the customers pursuant to the terms of each respective contract. Settlement is monitored by our accounts department. For outstanding balances overdue, our management and project team will be alerted and appropriate follow up action will be taken.

For construction works, credit terms given to our customers are generally set out in the relevant contract. Generally, payment is due about 30 days after the issue of the progress certificate by the authorised person or the invoice date of the relevant contract revenue (as the case may be). Settlement is normally made in cheque. The number of trade receivable turnover days is approximately 27.3 days, 46.9 days and 42.7 days for FY2012, FY2013 and FY2014 respectively.

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

QUALITY CONTROL

Our Directors believe that our financial results and hence our profits depend on our ability to meet our customers' and the end-users' requirements. Quality control is important in such context. We place strong emphasis on quality control as it would assure completing works to meet or exceed our employer's requirements, and it is also crucial for building safety, job reference and future business opportunities.

We have established formal quality management system in accordance with the requirements of ISO 9001:2008, OHSAS 18001:2007, ISO 14001:2004 and ISO 50001:2011, by which we develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term and project based approach.

To ensure our works meet the required standards, we normally assign a foreman, or an engineer (if necessary), at each of the construction sites. Such foreman or engineer is responsible for monitoring the quality of works carried out by our own staff and, as the case

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may be, our sub-contractors. Our project managers are responsible for monitoring progress and quality of works and ensuring that works are completed according to schedule. Furthermore, our project team communicate frequently with and report to our executive Directors. Our executive Directors closely monitor the progress of each project to ensure that the works (i) meet our customers' requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant codes and regulations applicable to the works.

With regard to construction materials, unless our customers require us to order from designated suppliers, we generally procure materials from the list of our internally approved suppliers which we have satisfactory past business relationship in terms of consistency of quality. The Group will also engage independent experts to perform quality test on sample materials.

ENVIRONMENT

Our business is subject to the applicable laws and regulations in relation to environmental protection. Please refer to the section headed "Laws and regulations" in this prospectus for further information about such laws and regulations.

We are committed to minimisation of any adverse impact on the environment resulting from our business activities to fulfill our responsibilities to the community, our customers who are environmentally conscious as well as the global and local environment. In order to comply with the applicable environmental protection laws, we have established an environmental management system in our operations in accordance with ISO 14001:2004 international standards. Both NC Foundation and NC Engineering were awarded the ISO 14001:2004 certification in 2008 and 2010 respectively. We have also allocated resources to update our environment management system and maintain our ISO 14001 certification. In April 2014, the energy management system of NC Foundation was also certified compliance with ISO 50001:2011.

Furthermore, we require our sub-contractors to comply with our environmental management plan. Our staff are encouraged to contribute towards sustainability by adopting environmentally friendly construction method and planning their works to eliminate waste efficiently and to the maximum extent with a view to achieving long-term cost savings.

During the course of carrying out construction works, noise and vibration are inevitably generated through the use of our machinery. If the situation permits, we strive to minimise disturbances to residents in the vicinity of our construction sites. Generally speaking, the hours for operation is from 7:00 a.m. to 7:00 p.m. Monday to Saturday, and for percussive piles, the machines may only be permitted to operate for three hours a day in urban areas. Works are generally not permitted on Sunday and public holidays. Although we strictly adhere to the restricted hours of operations stipulated in the construction noise permit, we may from time to time receive complaints from nearby residents regarding disturbances caused by operation of our machinery. Under such circumstances, we will work with the person making the complaint with the aim of introducing measures to mitigate the disturbances caused.

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The following are other environmental protection measures adopted by our Group:

- the environmental officer provides advice to the project management team in respect of environmental protection issues including noise abatement, air pollution control, water pollution control and waste management;
- the safety supervisor supervises and promotes the execution of environmental work by workers on site and report to the environmental officer;
- advisory and warning signs, environmental labels and posters are displayed at the prominent locations around the work sites to enhance environmental awareness of the site personnel; and
- acoustic blankets are used at construction sites to minimise noise caused by constructions.

During the Track Record Period, the annual cost of compliance with applicable environmental laws and regulations in Hong Kong amounted to approximately HK\$0.76 million, HK\$2.92 million and HK\$3.33 million respectively. The significant increase in such cost for FY2013 and FY2014 was mainly due to the Un Chau Street Building Project undertaken by our Group which incurred more levy for the Pneumoconiosis Compensation Fund on this project. Our Group expects such cost going forward will be at similar level as the annual cost for FY2014 if we take up projects with similar scale.

During the Track Record Period and up to the Latest Practicable Date, we were in full compliance with applicable environmental laws and regulations, except for a systemic non-compliance with Air Pollution Control (Construction Dust) Regulation as set out in the paragraph headed “Non-compliance” in this section below.

SOCIAL RESPONSIBILITY

With the commitment to being a socially responsible corporation, we are dedicated to develop and implement sustainably good corporate policies in areas including environmental protection, staff management and development as well as occupational health and safety.

SAFETY AND INSURANCE

Health and work safety

We are concerned with the health and safety of our employees and we are committed to providing a safe and healthy working environment for the benefit of our staff, our sub-contractors and the general public. To this end, we implement safety plan to promote occupational health and safety at construction sites and to ensure compliance with the applicable laws and regulations in Hong Kong.

Our safety plan is documented in writing and supplemented with instructions, training and demonstrations. We require strict implementation of and adherence to our safety plan. In addition, we have qualified safety officers approved by the Labour Department to monitor and implement our safety plan. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce our risks related to safety issues.

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

- A project safety department has been established to provide advice and support to management of all levels, to coordinate the implementation of safety management systems and to provide periodic safety performance report.
- The safety officer of a project will prepare a project safety plan at the commencement of the project. He will identify in such plan those operations and activities that are associated with identified hazards and will prescribe measures to control the identified risks.
- We provide internal training to all the staff of our Group, including the directors, on safety to enhance their knowledge. Special safety trainings are recommended for workers engaged in hazardous tasks, where necessary.
- All persons on site are required to receive site safety induction training before they commence working on site.
- Tool box talks are given by the safety officer to workers in order to enhance safety awareness of the workers.
- All personnel are required to follow the general safety rules adopted by the Group which are posted on conspicuous notice boards. Anyone who breaches any such rules will be subject to internal disciplinary actions.
- Site inspections and visits are carried out by our safety officers every week to ensure compliance with statutory provisions by all workers (and sub-contractors' employees).

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- A monthly “Safety Model Worker Award” will be given to an employee of our Group with monetary award to recognise his contribution of site safety and health.

Under the Factories and Industrial Undertakings (Safety Management) Regulation (“Safety Management Regulation”), contractors of certain industrial undertakings are required to develop, implement and maintain in respect of the undertakings a safety management system which contains a number of key process elements. Schedule 3 of the Safety Management Regulation prescribes the contractors who are required to develop, implement and maintain a safety management system. These contractors include, for instance, a contractor in relation to construction works (i) with a contract value of HK\$100 million or more, or (ii) having an aggregate of 100 or more workers in a day working in a single construction site. Such contractors are also required to have the system regularly (i.e. at least every 12 months) audited or reviewed. The purpose of safety audit includes (among others) examination of the (i) adequacy and effectiveness of the safety management system of the companies being audited (or auditee), and (ii) the implementation of the management system in both the company and site level.

During the Track Record Period, we appointed an independent safety auditor (who was registered with the Labour Department) to conduct several safety audits on each of NC Foundation and NC Engineering as required under the Safety Management Regulation. Under WBDB’s independent safety audit scheme, an auditee is required to achieve at least a score of 70% in both areas of (i) and (ii) as mentioned above. During the Track Record Period, NC Foundation and NC Engineering achieved an average score of 85% and 94%, respectively, in all safety audit results, representing a performance grading of “satisfactory” and “outstanding”, respectively.

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent. Although our Group has been implementing safety plan to mitigate such safety risks, the occurrence of accidents to workers at construction sites cannot be completely eliminated. For FY2012, FY2013 and FY2014, we recorded one, two and three “reportable accidents” (see note (i) below) respectively, all involving injuries to workers who were either employed by our Group or by our sub-contractor(s). One reportable accident was recorded during the period from 1 April 2014 up to the Latest Practicable Date. In two of the reportable accidents which occurred during the Track Record Period, the injured persons resolved the claims with our insurers before any court action had been taken against the insurers and/or our Group (see note (ii) below). The aggregate amount settled between the insurers and the injured persons for the said two accidents is approximately HK\$0.37 million which was fully covered by insurance. During the Track Record Period and up to the Latest Practicable Date, no material injury and fatal accident have happened in the sites where our projects are located at and during the period when the projects were carried out by us.

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Notes:

- (i) “Reportable accidents” means workplace accidents that are required to be reported to an occupational safety officer of the Labour Department. For any accident that results in an employee being incapacitated from working for at least three days, the accident should be reported in writing within seven days after the date of accident. For more serious accidents that involve death or serious bodily injury to an employee, the employer has to notify the Labour Department within 24 hours after the accident.
- (ii) In relation to the other five injured workers, (a) three were still in their sick leave period as at the Latest Practicable Date and the Group has not received any claim from either of them or the relevant authorities yet; (b) one withdrew his claim against us in September 2013; and (c) the remaining one has filed claim against our Group (which action number is HCPI 509/2014 as disclosed in the paragraph headed “Business — Litigation and potential claims — (I) Outstanding claims and charges against our Group as at the Latest Practicable Date” below).

A table showing the nature of injuries in relation to our reportable accidents for FY2012, FY2013, FY2014 and the period from 1 April 2014 up to the Latest Practicable Date is set out below:

No. Details of accident and nature of injuries	Underlying cause(s) of accident
For FY2012	
1. Injured while transporting a soil nail bar; right little finger contusion (see note below)	(Among other causes) limited working space, and worker did not follow safety requirements of our Group
For FY2013	
2. Injured while bending the bars; left ankle fracture	No safe access to and egress from the workplace
3. Injured while performing nailing works; right ankle fracture	Unfixed standing platform
For FY2014	
4. Slipped while transporting construction materials; sprained right ankle	Worker’s lack of safety awareness
5. Injured while operating the lifting machine for soil nail; right ankle fracture	Inappropriate use of equipment
6. Slipped while walking on the staircase; back injury	Wet and slippery working area
For the period from 1 April 2014 up to the Latest Practicable Date	
7. Injured while assisting in the operation of machinery; left middle finger distal fracture	Inadequate communication between the machinery operator and the assistant

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Note: According to the relevant medical reports, this worker got crush injury by a heavy metal clamp, leading to injury on his right little finger with complication of chronic regional pain syndrome of right hand. It was asserted or reported that despite continuous medical treatment, he was suffering from persistent pain and numbness, which affected his daily life and health, and he also suffered from certain psychiatric symptoms and was given treatments like anti-depressant and anti-psychotic.

When any kind of accident occurs, the injured worker (including our employees and our sub-contractors' employees) or the person who witnessed the accident is required to report to our site agent or safety officer. Our safety officer will then investigate the accident by visiting the accident scene, examining the equipment or material involved (if any) and taking statements from the injured employee, witness(es) of the accident and other personnel in relation to the particular project. If the accident is a "reportable accident" as assessed by our safety officer, he will prepare an accident report and submit it to the Labour Department within the period as specified under the relevant laws and regulations. Remedial actions will be taken by our project management team to remove imminent danger and to prevent reoccurrence of similar accidents in the future. Our safety officer will carry out follow-up inspection to ensure that remedial works are completed.

A table comparing the construction industry average rate against our Group in regard to accident rate per 1,000 workers and fatality rate per 1,000 workers is set out below:

	In construction industry (Note 1)	Our Group's construction sites (Note 2)
FY2012		
accident rate per 1,000 workers	48.35	6.90
fatality rate per 1,000 workers	0.36	0.00
FY2013		
accident rate per 1,000 workers	43.43	15.50
fatality rate per 1,000 workers	0.32	0.00
FY2014		
accident rate per 1,000 workers	40.80	9.71
fatality rate per 1,000 workers	0.28	0.00
From 1 April 2014 up to the Latest Practicable Date		
accident rate per 1,000 workers	16.54	3.64
fatality rate per 1,000 workers	0.11	0.00

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Notes:

1. Reference is made to the Occupational Safety and Health Statistics Bulletins Issue No. 13 (June 2013) and Issue No. 14 (July 2014) by Occupational Safety and Health Branch Labour Department. The figures reported by the Labour Department are based on calendar year and thus for FY2012 and FY2013 they have been adjusted according to the financial year of our Group by using the following formula:

$$\left\{ \begin{array}{l} \text{figure of last} \\ \text{calendar year} \end{array} \times \frac{9}{12} \right\} + \left\{ \begin{array}{l} \text{figure of the current} \\ \text{calendar year} \end{array} \times \frac{3}{12} \right\}$$

For FY2014 and the period from 1 April 2014 up to the Latest Practicable Date, it is assumed that the accident rate and fatality rate in the industry are the same as those reported by the Labour Department for the calendar year 2013, being 40.8 and 0.28 respectively. In particular for the period from 1 April 2014 up to the Latest Practicable Date, the figures have been adjusted based on the number of days of such period by using the following formula:

$$\text{Accident rate: } \left\{ 40.8 \times \frac{148}{365} \right\}$$

$$\text{Fatality rate: } \left\{ 0.28 \times \frac{148}{365} \right\}$$

2. Our Group's accident rate is calculated as the occurrence of accident during the financial year divided by the daily average construction site workers in the construction sites during the financial year. The daily average construction site workers include employees of our Group and its sub-contractors. Only "reportable accidents" as defined above are included here.

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

FY2012	0.63%
FY2013	1.80%
FY2014	0.84%
From 1 April 2014 to the Latest Practicable Date	0.86%

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 hours) worked in a period. The LTIFR is calculated as dividing the number of lost time injuries of our Group happened in the financial year by the number of hours worked by our Group's workers over that financial year. "Number of hours worked by the workers" means the total number of hours (assuming 10 hours per working day) worked by our Group's workers on a "working day" during that financial year. The number of working days of workers for FY2012, FY2013, FY2014 and the period from 1 April 2014 to the Latest Practicable Date were approximately 304 days, 326 days, 364 days and 145 days respectively, and the number of our Group's workers worked on each working day may vary. A "working day" is defined as a day on which there is at least one worker of our Group working, irrespective of whether it is a public holiday. Therefore, the total number of working hours worked by the workers varies every financial year, depending on the works progress and requirements of our projects. The total number of working hours worked by our Group's workers for FY2012, FY2013, FY2014 and the period from 1 April 2014 to the Latest Practicable Date were approximately 453,925 hours, 403,985 hours, 964,010 hours and 363,620 hours respectively.

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2. Our LTIs were determined based on the relevant medical certificates received by our Group.

The LTIFR in FY2013 is higher than those in FY2012 and FY2014 for the following reasons:

- (i) there was only one reportable accident in FY2012, and the sick leave period of the injured worker in that reportable accident in FY2012 ended only in FY2014, crossing the whole FY2013; and
- (ii) the total number of working hours worked by all the workers in FY2013 is less than those in FY2012 and FY2014 (so that the denominator of the LTIFR in FY2013 is smaller than those of FY2012 and FY2014). Reasons are that (a) in FY2012, more of our human resources were allocated to various LPM projects carried out by our Group; and (b) in FY2014, more of our human resources were allocated to the Un Chau Street Building Project.

Based on the above available information, our Directors believe that both the accident rate and fatality rate of our Group are lower than the industry average. During the Track Record Period, our Group recorded no fatal injuries at our construction sites.

Our Directors confirm that we complied in all material respects with all the relevant laws, rules and regulations relating to safety and health during the Track Record Period and after that up to the Latest Practicable Date. Following perusal of the necessary documents relating to the existing projects undertaken by our Group and based on opinion of Legal Counsel, our Hong Kong legal advisers confirm that save as disclosed in this prospectus, they are not aware of any material non-compliance by our Group in relation to the relevant laws, rules and regulations relating to safety and health as at the Latest Practicable Date.

Insurance

It is a practice in the Hong Kong construction industry, as well as a term of most construction contracts between main contractors and customers, that the main contractor of a project will take out and maintain employees' compensation insurance and contractor's all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all its sub-contractors. However, the sub-contractors are generally required to maintain insurance over their own machinery.

All projects undertaken by us and the relevant employees are respectively protected by contractors' all risks and employees' compensation insurance. Depending on the terms of the relevant contracts, such insurances are taken out either by the main contractors (in the case of us being a sub-contractor) or us. When acting as a sub-contractor, we generally will not take out separate insurance policies but will rely on the insurance policies taken out and maintained by the relevant main contractor. The reliance of us on the main contractors' insurance policies is explicitly provided for in the relevant sub-contracting agreements.

Our Group has insurance cover for its liabilities under employee compensation and personal injury claims, which meets the statutory minimum insurance coverage of HK\$100 million per incident. Our Group considers such insurance coverage is generally sufficient for

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its liabilities under employees' compensation claims and personal injuries actions. For machinery acquired under finance leases, it is also a usual practice for us to maintain insurance coverage over those machines.

Taking into account the industry practice and the insurances taken out by our Group as stated above, our Directors believe that we have obtained adequate insurance coverage for the operation of our business.

MARKET AND COMPETITION

According to the IPSOS Report, the construction industry in Hong Kong is consolidated, where a relatively small number of companies control a relatively large market share. According to the IPSOS Report, in 2012, there were about 22,309 construction companies in Hong Kong and about 97.8% of them were small- and medium-sized companies. Others were large-sized contractors which were recognised as market leaders. In 2013, the total gross output value of construction works performed by main contractors and sub-contractors at construction sites in Hong Kong was about HK\$135.2 billion. The total revenue of the top five players in the industry accounted for about HK\$64.4 billion, or 47.6% of such total gross output value. Our Group accounted for about 0.7% of the revenue of the construction industry in Hong Kong, and about 0.4%, 0.1% and 0.4% of foundation, civil engineering and general building segments respectively in Hong Kong in 2013. For further details of the overall construction industry in Hong Kong as well as the segments of foundation, civil engineering and general building, including the industry maturity and size, market trends and prospects, please refer to the section headed "Industry overview" in this prospectus.

Our Directors consider that there are market entry barriers to the construction industry (and the three segments) in Hong Kong which hinder new players' entry. Such entry barriers include (i) substantial industry experience and sufficiency of liquidity (for construction industry in general); (ii) sufficient initial and continuing capital (for foundation segment); (iii) adequate knowledge and qualifications (for civil engineering segment); and (iv) established relationships between existing general building contractors, property developers and sub-contractors (for general building segment). Details of the entry barriers are set out in the paragraph headed "Industry overview — Entry barriers" in this prospectus.

As disclosed in the paragraph headed "Laws and regulations — Laws and regulations in relation to the contractor licensing regime", contractors undertaking construction works under any of the three segments in the public sector shall be listed under the Development Bureau and/or the Housing Authority, whereas those undertaking construction works under any of the three segments in the private sector shall be a registered contractor under the Buildings Ordinance. For the number of registered contractors in each segment, please refer to the section headed "Industry overview" in this prospectus.


For the licences granted by the Development Bureau, they are divided into different groups which set out the limit of contract values of a project which the licence holder is allowed to undertake (e.g. under the Approved Public Works Contractors List, Group B contractors (which our Group belongs to under certain categories) and Group C

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contractors can undertake contracts of value up to HK\$185 million and of any values exceeding HK\$185 million respectively, thus Group C contractors normally do not compete with Group B contractors for the same works in the public sector). There is no such limit on contract value in the private sector as required under the Buildings Ordinance, however it is a common practice that the large scale construction companies (which usually also hold licences for the highest contract value as granted by the Development Bureau) do not tender for small- and medium-sized construction projects. For such reasons, our Directors consider that we are competing with contractors of similar scale to ours (as reference to the level of licences or qualifications they hold), rather than the large scale contractors in the industry. For the ranking of contractors by licences in each segment, please refer to the paragraph headed “Industry Overview — Competitive analysis of construction industry in Hong Kong” in this prospectus. In particular, according to the second table of such paragraph (which is in relation to the civil engineering segment), our Group ranked as the second largest contractor among others holding those relevant licences as set out in that table.

Further, as mentioned in the paragraph headed “Competitive strengths — 1. Our diverse qualifications allow us to capture business opportunities” above, as at the Latest Practicable Date, we are one of the few contractors in Hong Kong who hold those qualifications as disclosed in that paragraph. According to the IPSOS Report, such diverse qualifications enable us to undertake each of the three categories of construction works, namely foundation, civil engineering and general building works, and thus to alleviate any seasonal effect of the construction industry and maintain stable and healthy development of our Group’s business.

INTELLECTUAL PROPERTY RIGHTS

We have marketed our business in Hong Kong by using mark  and “New Concepts” as our brand name. We have also applied for registration of our trademarks in Hong Kong. Detailed information of our intellectual property rights is set out in the paragraph headed “B. Further information about our business — 2. Intellectual property rights” in Appendix IV to this prospectus.

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EMPLOYEES

As at the Latest Practicable Date, we had 95 full-time employees who were directly employed by our Group in Hong Kong. A breakdown of our employees by function as at the same date is set forth below:

	As at the Latest Practicable Date
Directors (of our Company and its subsidiaries)	6
Project management (including project managers, foremen and safety supervisors)	37
Administration, accounting and finance	12
Machinery operators	10
Technical personnel	19
Other direct employees	<u>11</u>
Total	<u><u>95</u></u>

The relationship and cooperation between our management and employees have been good and is expected to remain amicable in the future. There has not been any incident of work stoppage or labour shortage during the Track Record Period and up to the Latest Practicable Date, which adversely affected our operations.

We believe that our employees are important assets to our Group. New employees are required to undergo training to familiarise themselves with the applicable rules and regulations and the requirements of their job before they start work. They are usually subject to a three-month probation period. At the end of the probation period, they will be confirmed to be employed as full-time employees, if their respective supervisors are satisfied with their performance during the probationary period.

We also emphasise on the continuing education and quality training of our staff to enhance their work performance. We sponsor our employees to attend external training programmes from professional institutions such as the Construction Industry Council to assist them in acquiring advanced knowledge and skills in respect of machinery operation, occupational safety and quality control. We consider that our training programme is not only used as a platform to upgrade the skills of our employees regularly, but is also used to encourage greater cohesion within our Group. These measures increase overall efficiency and loyalty to our Group, and also serve as a means of retaining quality employees. We review the performance of our employees from time to time in order to determine salary adjustments and promotion appraisals.

Our experienced machinery operators have well-developed practical skills and they are important to our operational efficiency. Accordingly, if a majority of the machinery operators leave our Group at the same time, material disruption to the Group's operation

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may occur. However, our Directors are of the view that this is unlikely to occur because (i) our staff enjoy job security, as we did not carry out any layoff of redundant staff in the past, even during the period of recession in the construction industry; and (ii) we have the aforesaid measures to retain our employees.

PROPERTIES

We do not own any property and we lease all of the premises occupied by us. As at the Latest Practicable Date, our two leased properties located in Hong Kong, which were occupied by us as office premises with a current annual rental of HK\$220,800 and HK\$828,000 respectively. One of the office premises (with annual rental of HK\$220,800) is leased from NC International which is a connected person of our Company. Brief details of such leases are set out under the section headed “Continuing connected transactions” in this prospectus.

INTERNAL CONTROLS

Our Directors are responsible for the formulation and overseeing the implementation of our internal control measures and effectiveness of risk management system, which is designed to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

On 24 February 2014, our Group appointed an independent internal control consultant (namely, World Link Corporate Finance Limited), to review our internal control system. The work scope of our internal control consultant includes reviewing and assessing our internal control environment, information and communication system, anti-fraud procedures, financial reporting and disclosure controls, risk management, monitoring activities and business activity level controls. Through an initial review during March and April 2014, our internal control consultant identified some weaknesses and deficiencies in our internal control system and recommended certain measures to be implemented by us. Based on such recommendations, we implemented remedial measures to improve our internal control system. According to the results of the follow-up review performed by our internal control consultant in June 2014, our Group adopted and implemented all recommendations of our internal control consultant. In view of our Group’s response to the recommendations and the implementation of the internal control measures in respect to our Group’s weakness and deficiencies, our internal control consultant considers that our Group’s enhanced internal control measures are adequate and effective.

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The following table sets forth the details of major findings of weakness and deficiencies identified in the initial review during March to April 2014, recommendations made by our internal control consultant and remedial measures implemented by our Group:

Major findings of weaknesses and deficiencies identified in the initial review during March and April 2014	Recommendations made by our internal control consultant	Remedial measures implemented by our Group prior to the Latest Practicable Date:
<p>The Group should have a mechanism in place for risk identification, risk ranking, risk assessment and corresponding risk mitigation actions.</p>	<ul style="list-style-type: none"> — Our Group should keep record for risk assessment, so that management could be informed of the potential risks the Group may encounter and make precautions measure to handle those potential risks. — Our Group is recommended to implement a clear risk assessment policy that includes the responsibilities of chief executive officer, other Directors, general managers and safety officers in relation to the risk management of our Group. These responsible officers should, according to the policy, identify the different risks faced by our Group and then assess the risks and its implication. After risk identification, assessment, ranking, the responsible officers should design and develop measures to address and mitigate the risks, and the implementation of these measures should be constantly monitored and assessed. 	<p>Please refer to the measures as disclosed in next paragraph headed “Risk management” below.</p>
<p>Our Group did not prepare comprehensive budgets variances analysis for our Group to evaluate the overall variance at the entity level.</p>	<p>The comprehensive budgets variances analysis should be prepared and reviewed at least annually as a measure to evaluate the actual performance of our Group.</p>	<p>We have prepared an annual budget for FY2015 with comprehensive budgets variances analysis included.</p>
<p>Our Group does not have any offsite backup storage for database.</p>	<p>The information technology management of our Group should develop a more comprehensive backup mechanism in addition to the existing daily backup. For instance, regular CD backup and offsite storage.</p>	<p>We have acquired a new server and implemented new backup system for the computer system in our office; we plan to set up an offsite backup storage.</p>

RISK MANAGEMENT

During the Track Record Period, we assessed and managed the risks arising from our operations based on the experience of our Group's management and our professional and technical staff. As advised by the independent internal control consultant, in order to improve our Group's internal control and risk management system in the future, our Group has established the following on-going process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

- (i) risks will be identified by our management team and reviewed by our Board;
- (ii) action plan will be considered, so long as the risk is required to be recognised, addressed and mitigated;
- (iii) our Board will monitor regulatory compliance by the Group. Further risk may be identified through communications between the heads of different departments and from public information; and
- (iv) our Group has appointed Halcyon Capital Limited as its compliance adviser (with effect from the Listing Date) to give advice to our Board on regulatory compliance with the Listing Rules and SFO.

Our Directors confirm that during the Track Record Period, no material failure occurred and we believe that our internal control and risk management system are sufficient and effective.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group was or is involved in a number of material claims, litigations and pending or threatened claims of material importance against our Group.

The following claims are related to (i) employees' compensation claims and personal injuries claims; and (ii) charges arising out of our Group's ordinary and usual course of business, and they are not related to any contractual or related disputes with the customers of our Group. As at the Latest Practicable Date, save as disclosed under item (I) below, there was no pending or threatened claim or charge against our Group. Set out below are the details of the outstanding claims and litigations against our Group as at the Latest Practicable Date, and the material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date:

(I) Outstanding claims and charges against our Group as at the Latest Practicable Date

No.	Nature of incident/ claim/charge	Date of incident/ breach	Capacity of plaintiff(s)/ applicant(s)/ complainant	Name(s) of defendant(s)/ respondent(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
1.	(i) Employees' compensation claim (Action no. DCEC1006/2013) (ii) Personal injuries claim (Action no. HCPI 509/2014) A claim for damages for personal injuries sustained by the plaintiff (a construction worker) while he was in the course of employment with the 1st respondent, a sub-contractor of NC Engineering, at the construction site at Tai Po Road, New Territories	17 June 2011	Employee of the 1st respondent at the time of accident	NC Engineering as the 2nd respondent; a sub-contractor of NC Engineering as the 1st respondent	Approximately HK\$2.59 million plus interest	100%	(i) The applicant will be re-assessed by the Medical Assessment Board. Further action is pending the re-assessment result. (ii) Writ of summons was issued on 4 June 2014 and the checklist review will take place on 21 November 2014

In connection with these claims, the plaintiff was a then employee of the 1st respondent (but not our Group) and it is our Directors' understanding that his claims are covered by insurance in full. As such, our Directors consider that no provision is necessary to be made.

No.	Nature of incident/claim/ charge	Date of incident/ breach	Capacity of plaintiff(s)/ applicant(s)/ complainant	Name(s) of defendant(s)/ respondent(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
2.	Case no. KCS12179/2014 — failure to comply with Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations under the FIU Ordinance for failing to take adequate steps to prevent a person from falling from a height of 2 metres or more on the construction site at Un Chau Street, Kowloon	15 October 2013	Labour Department	NC Engineering	If NC Engineering is found liable, (i) where the offence was committed without reasonable excuse, the maximum penalty will be a fine of \$200,000 and imprisonment (for its directors) for 12 months; or (ii) a fine of \$200,000 in any other case	Not available	NC Engineering pleaded not guilty to the charge in the mention hearing on 16 June 2014. The pre-trial review was held on 7 July 2014 and the trial will take place on 14 and 15 October 2014

In connection with this case no.2, our Directors consider that NC Engineering has reasonable grounds of defence, because in the course of carrying out the relevant project, our Group has taken out all reasonable steps to ensure safety on site. As advised by the legal adviser to NC Engineering in relation to this case, NC Engineering has a reasonably good chance to defend the case and even it is convicted, the fine would be no more than HK\$50,000. In view of such amount of possible fine, our Directors consider that no provision is necessary to be made. Legal Counsel also opined that the risk of any of NC Engineering's directors being sentenced to imprisonment would be low.

(II) Material claims or charges against our Group fully settled during the Track Record Period and up to the Latest Practicable Date

No.	Nature of incident/claim/ charge	Date of incident/ breach	Capacity of plaintiff(s)/ applicant(s)/ complainant	Name(s) of defendant(s)/ respondent(s)	Amount settled	Insurance coverage	Status
1.	(i) Employees' compensation claim (Action no. DCEC 555/2010); and (ii) Personal injuries claim (Action no. HCPI 504/2011) — a claim for damages for personal injuries sustained by the deceased while he was in the course of employment with NC Foundation at the redevelopment site of Yau Tong Estate, Kowloon	26 May 2008	Widow of the deceased	NC Foundation	Not disclosed due to confidentiality agreement	100%	Both claims were settled during the mediation session held in May 2014.

Save as disclosed above, no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Given that the claims and potential claims for employees' compensation or personal injuries claims against our Group are covered by insurance, and other claims which are not covered by insurance will be indemnified by our Controlling Shareholders pursuant to the Deed of Indemnity, our Directors are of the view that the claims as disclosed above have no material adverse impact on the operation or financial position or business of our Group. Details of the additional safety measures adopted by our Group to reduce the frequency of accidents are set out in the paragraph headed "Safety and insurance — Health and work safety" above in this section.

NON-COMPLIANCE

From the date of incorporation of NC Engineering to the Latest Practicable Date, we inadvertently failed to comply with certain regulatory requirements under the laws of Hong Kong and Macau, which include both material impact non-compliance and systemic non-compliances. Details of which are summarised in the tables below.

Material impact non-compliance

NC Foundation failed to comply with sections 6A(1), 6A(2)(c) and 6A(3) of the FIU Ordinance

Date of the non-compliance event	:	26 May 2008
Reason(s) for non-compliance	:	Inadvertent mistakes committed by our employees, resulting a worker being struck by a fallen H-pile during the cutting operation and sustained serious injuries during our foundation contract with the Housing Authority for redevelopment of Yau Tong Estate Phase 4. Subsequently, the worker passed away after 50 days of hospitalisation. There were deficiencies in respect of preparing the risk assessment and enforcing a safe working procedure for the pile cutting operation and inadequate instruction, training and supervision provided to workers
Identity and position of Director(s)/senior management of our Group involved	:	Mr. Ho Man Fai Eric (a then project manager of our Group)
Actual penalty and regulatory actions	:	— NC Foundation was fined a total sum of HK\$28,000 — NC Foundation was suspended from tendering for (i) public works contracts under the category of “Land Piling” of the Approved Contractors List; and (ii) all Housing Authority contracts, both for a period of eight months with effect from 23 April 2009. Both suspensions had been uplifted with effect from 23 December 2009. After having considered our improvement action plan submitted and the safety audit results, the Development Bureau was satisfied with the improvements made by our Group in respect of safety

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Whether provision have been made (and reasons for not making provision)	:	As fine was determined and paid, no provision has to be made
Actual operational and financial impact on our Group (where applicable)	:	NC Foundation was fined for an insignificant amount and no regulatory actions were taken save the temporary suspension from tendering as disclosed above
Internal control measures taken to prevent recurrence	:	<ul style="list-style-type: none">— Regular training are provided to our employees on site for the promotion of “Quality, Safety, Healthy and Environmental Friendly”— Various incentives are given to our well-performed employees regularly in order to promote safety, health and environmental awareness
Responsible person for such internal control measures	:	Mr. Kwan (an executive Director) (please refer to the section headed “Directors, senior management and employees” in this prospectus for his qualifications and experience)

Systemic non-compliances

1. *Both NC Foundation and NC Engineering have failed to comply with sections 111 and 122 of the Cap.32 Companies Ordinance*

Date of the non-compliance events	:	Non-compliance in relation to late holding of annual general meetings and failure of/late presenting with shareholder of annual accounts at annual general meetings, since incorporation of NC Foundation and NC Engineering
Reason(s) for non-compliance	:	At the material times, we relied on an external secretarial company to provide professional secretarial services and to advise us on the relevant requirements under the then Ordinance, including the issuance of annual general meeting notices, the preparation of annual general meeting notices, agenda and minutes and the filing of all necessary forms/papers with the Companies Registry, but we were not provided with adequate advice to comply with the requirements of the then Ordinance, e.g. laying of the prepared financial statements at the relevant annual general meetings

BUSINESS

- Identity and position of senior management of our Group involved : the then head of secretarial department of our Group
- Possible legal consequences and maximum : NC Foundation and NC Engineering, and their respective directors and officers who fail to take all reasonable steps to comply with this duty, shall be liable to maximum fines of respectively HK\$50,000 under section 111 of the Cap.32 Companies Ordinance and HK\$300,000 and 12-month imprisonment (if the offence was committed wilfully) under section 122 of the Cap.32 Companies Ordinance
- Whether provisions have been made (and reasons for not making provisions) : No provisions have been made because of the insignificant amount of maximum fine
- Potential operational and financial impact on our Group (where applicable) : No potential operational and financial impact, as remedial actions disclosed below have been taken
- Remedial actions taken : With respect to the non-compliances within the past three years, an application was made by each of NC Engineering (HCMP 1318/2014) and NC Foundation (HCMP 1319/2014) to the High Court seeking relief under sections 111 and 122 under the Cap.32 Companies Ordinance. On 26 August 2014, a relief order was granted by the court to each of NC Engineering and NC Foundation regarding the non-compliances (which the court has seen as “technical breaches”) that (1) the time for laying the profit and loss accounts and balance sheets for the financial year ended 31 March 2011, FY2012 and FY2013 be extended to the date of the annual general meeting for FY2014 which shall be no later than 30 November 2014; and (2) the time for calling and holding the annual general meeting for FY2013 be extended until no later than 30 November 2014.

BUSINESS

As advised by Legal Counsel, there is no real risk of prosecution for non-compliances prior to the past three years in view of such non-compliances being effectively time-barred under section 351A the Cap.32 Companies Ordinance (which is repeated in materially the same terms in section 900 of the Cap.622 Companies Ordinance). NC Engineering and NC Foundation may lay the relevant reports and accounts before an annual general meeting for record purpose and no further action is needed for these non-compliances.

Internal control measures taken to prevent recurrence : We have assigned Mr. Kwan and our company secretary to monitor the annual filings and accounts requirements pursuant to the Cap. 622 Companies Ordinance and will seek assistance from external legal advisers if necessary to ensure compliance with the statutory requirements

Responsible person for such internal control measures : Mr. Kwan (an executive Director, and Mr. Chow Chi Keung (our company secretary and financial controller) (please refer to the section headed “Directors, senior management and employees” in this prospectus for their qualifications and experience)

2. *NC Foundation failed to comply with Article 8 of Law 15/77/M of the laws of Macau by failing to make the M/1 declaration to the Macau Finance Department on a timely fashion. According to Macau law, NC Foundation was required to declare the beginning of its commercial activity within 30 days on the likely date of the commencement of the activity*

Date of the non-compliance event : 10 June 2013

Reason(s) for non-compliance : NC Foundation then did not engage a Macau lawyer or tax consultant to advise us on the Macau tax requirements

Identity and position of Director(s)/senior management of our Group involved : Ms. Lai Mun Yee (the then accountant of our Group)

Possible legal consequences and maximum penalty : A fine of MOP200 to MOP100,000 may be incurred

BUSINESS

- Whether provision have been made (and reasons for not making provision) : No provisions has been made, given the insignificant amount of maximum fine
- Potential operational and financial impact on our Group (where applicable) : No material impact given the insignificant amount of maximum fine
- Remedial actions taken : In March 2014, NC Foundation made the relevant tax registration in Macau and reported the relevant income arising from our activities in Macau to the Macau authorities
- Internal control measures taken to prevent recurrence : We have appointed a tax consultant in Macau to assist us to make relevant tax filing for any future projects in Macau
- Responsible person for such internal control measures : Mr. Kwan (an executive Director) and Mr. Chow Chi Keung (our company secretary and financial controller) (please refer to the section headed “Directors, senior management and employees” in this prospectus for their qualifications and experience)
3. *NC Engineering failed to comply with regulations 5(1) and 5(2) of the Air Pollution Control (Construction Dust) Regulation*
- Date of the non-compliance event : 8 March 2013
- Reason(s) for non-compliance : Inadvertent mistake committed by our employees
- Identity and position of Director(s)/senior management of our Group involved : Mr. Wong Chi Pui (a then project manager of our Group)
- Actual penalty : NC Engineering was fined HK\$10,000
- Whether provision has been made (and reasons for not making provision) : As fine was determined and paid, no provision has to be made

BUSINESS

Potential operational and financial impact on our Group (where applicable)	:	No material impact as NC Foundation was fined for an insignificant amount
Internal control measures taken to prevent recurrence	:	<ul style="list-style-type: none">— Regular training are provided to our employees on site for the promotion of “Quality, Safety, Healthy and Environmental Friendly”— Various incentives are given to our well-performed employees regularly in order to promote safety, health and environmental awareness
Responsible person for such internal control measures	:	Mr. Kwan (an executive Director) (please refer to the section headed “Directors, senior management and employees” in this prospectus for his qualifications and experience)

Please refer to the section headed “Risk factors” in this prospectus for the corresponding risks associated with the past non-compliance incidents of our Group as disclosed above.

Our Controlling Shareholders entered into the Deed of Indemnity in favour of our Group whereby the Controlling Shareholders agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities which may arise as a result of any litigation, arbitration, legal proceedings and/or non-compliance of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus. Our Directors consider that the non-compliance events disclosed above will not have any material adverse impact on the operation or financial position or business of our Group.

Internal control measures to prevent recurrence of non-compliance incidents

To prevent the occurrence of any non-compliance in the future, our Group, as recommended by our internal control consultant, World Link Corporate Finance Limited, has adopted and implemented the following corporate governance and internal control measures to enhance the internal control systems and to ensure compliance of various applicable rules and regulations (including but not limited to the Cap. 622 Companies Ordinance, the Inland Revenue Ordinance and the Listing Rules):

1. Our Directors attended the training sessions conducted by our legal advisers as to Hong Kong laws on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.

BUSINESS

2. Our financial controller and company secretary, Mr. Chow Chi Keung (an associate of the HKICPA), is responsible for the day-to-day compliance matters of our Group.
3. Our company secretary will be responsible for keeping the filing register up to date on a monthly basis to ensure ongoing compliance. The company secretary will report to the Board in the future in the event of any non-compliance with the Cap. 622 Companies Ordinance and Inland Revenue Ordinance.
4. Our financial controller will be responsible for monitoring the compliance with applicable accounting standards.
5. Our company secretary will be responsible for monitoring the compliance with Cap. 622 Companies Ordinance requirements with the support from our external legal advisers.
6. We will engage World Link Corporate Finance Limited as our independent external consultant after Listing for continuing annual review on the adequacy and effectiveness of our internal control system, including areas of financial, operational, compliance and risk management (subject to the finalisation of the relevant engagement letter to be entered into).
7. We have established the Audit Committee which comprises all four INEDs. The Audit Committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matters of the Group, and ensuring compliances with the relevant laws and regulations.

Views of our Directors and the Sole Sponsor regarding the corporate governance and work safety measures of our Group

As set out in the paragraph headed “Safety and insurance — Health and work safety” and “Business — Non-compliance — Internal control measures to prevent recurrence of non-compliance incidents” in this section of prospectus, our Group has adopted and implemented (i) the additional safety measures to reduce the frequency of accidents at construction sites; and (ii) the corporate governance and internal control measures to enhance the internal control systems and to ensure compliance of various applicable rules and regulations to prevent the occurrence of any non-compliance in the future. Our Directors believe that the corporate governance and internal control measures are adequate and effective which will ensure a proper internal control system and maintain good corporate governance practices of our Group, and the additional work safety measures are also adequate and effective.

Our Directors believe, and the Sole Sponsor concurs, that the above measures will ensure a proper internal control system and maintain good corporate governance practices to prevent future non-compliance with the relevant laws and regulations by our Group.

BUSINESS

Our Directors are of the view, and the Sole Sponsor concurs with their view, that the past non-compliance incidents, claims and litigations do not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence and do not affect their suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, Mr. Chu will through BVI Holdco control more than 30% of our issued share capital, or at all. For the purpose of the Listing Rules, Mr. Chu and BVI Holdco are our Controlling Shareholders. Each of Mr. Chu and BVI Holdco confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business. For background of Mr. Chu, please refer to the paragraph headed “History and corporate structure — Our history” and the paragraph headed “Directors, senior management and employees — Directors — Executive Directors” in this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

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

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

Our Board consists of eight Directors, comprising four executive Directors and four INEDs. Mr. Chu, one of our Controlling Shareholders, is an executive Director.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

- (ii) *Operational independence:* We have established our own organisational structure comprised individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their close associates. No services, premises and facilities will be provided by the Controlling Shareholders and/or their close associates to our Group. As we have employees and independent contractors capable of carrying out foundation, civil engineering and general building, works, our Group is able to operate independently from the Controlling Shareholders after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) *Financial independence:* Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, our Group relies principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

As at the Latest Practicable Date, the trade related and non-trade related amounts due to or from our Controlling Shareholders, or companies controlled by him/it had been fully settled and all guarantees provided to us for our finance lease by our Controlling Shareholders and their close associates will be released upon Listing, except for a loan due to Mr. Chu by our Group in the sum of HK\$18,310,000 as at 20 June 2014 (the "Loan") and an amount due to the Group by Mr. Chu in the sum of HK\$18,310,000 as at 20 June 2014 (the "Amount Due"). The repayment of the Loan to Mr. Chu is subject to the consent of the Government. On 20 June 2014, Mr. Chu and our Group entered into a netting-off agreement, pursuant to which (i) the parties agreed that subject to and upon receipt of the Government's consent by NC Engineering, the Loan and the Amount Due shall be set-off against each other forthwith; and (ii) Mr. Chu undertook to NC Engineering not to (and to procure his close associates (other than the Group) not to) assign, draw or repay any loan from or to our Group. Our Hong Kong legal advisers confirm that there is no legal impediment for our Group to obtain the Government's consent.

Our Hong Kong legal advisers further confirm that the above netting-off agreement is legally valid and enforceable under Hong Kong law, and upon fulfillment of the condition precedent being met (i.e. the Government's consent being obtained) the netting off of the relevant balances will become effective immediately. The reporting accountants of our Company confirm that such netting off is permissible under the relevant accounting standards.

Confirmation from our Directors and the Sole Sponsor

Since Mr. Chu and NC Engineering had entered into the netting off agreement pursuant to which upon obtaining of the consent from WBDB to our Group's repayment of the Loan, the netting-off provisions will become effective and the Amount Due will be netted off immediately. The netting-off agreement also stipulated that Mr. Chu shall not assign, draw or repay any loan from or to NC Engineering, by which the Amount Due will be maintained at the current balance of HK\$18,310,000 to net-off the exactly same amount of the Loan from Mr. Chu to NC Engineering. As such, our Directors are of the view that and the Sole Sponsor concurs that, since the Loan and the Amount Due are exactly the same and subsequent to the aforesaid netting off becoming effective, Mr. Chu will have no other balances due to or from our Group, the Loan will not jeopardise the financial independence of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

According to our Directors, if any further funding requirement arises in the future for capital injection of NC Foundation and/or NC Engineering, our Group may elect to obtain additional banking facility or to make such injection from the funds of our Group (instead from those of Mr. Chu). As such, our Directors do not foresee any need for further funding from Mr. Chu to meet (if it so arises) WBDB's minimum capital requirement.

- (iv) *Independence of major suppliers:* Our Directors confirm that none of our Controlling Shareholders, nor our Directors and their respective close associates, have any relationship with the five largest suppliers 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 confirm that none of our Controlling Shareholders, nor our Directors and their respective close associates, have any relationship with the five largest 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.

RULE 8.10 OF THE LISTING RULES

The 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, whether directly or indirectly, with our Group's business, and would require disclosure under Rule 8.10 of the Listing Rules as at the Latest Practicable Date.

DEED OF NON-COMPETITION

As at the Latest Practicable Date, each of our Controlling Shareholders (namely BVI Holdco and Mr. Chu) and Mr. Kwan (collectively, the "Covenantors") has also confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

In order to avoid any possible future competition between our Group and each of the Covenantors, the Covenantors executed the Deed of Non-competition in favour of us (for ourselves and for the benefit of each member of our Group). Pursuant to the Deed of Non-competition, during the period when the Deed of Non-competition remains effective (the "Relevant Period"), each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that he/it shall not, and shall procure his/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Where business opportunities which may compete with the business of our Group arise, the relevant Covenantor(s) shall, and shall procure his/its associates to, give us 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 the INEDs (who do

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Director(s) (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interests or potential conflict of interests including but not limited to the relevant meeting of the INEDs for considering whether or not to exercise the right of first refusal.

For the above purpose, the Relevant Period means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (a) as for our Controlling Shareholders, the date on which our Controlling Shareholders and their associates (individually or taken as a whole) ceases to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules; and as for Mr. Kwan, the date on which he and his associates (individually or taken as a whole) ceases to own 5% of the then issued share capital of BVI Holdco directly or indirectly; or
- (b) the date on which our Shares cease to be listed on the Stock Exchange.

Under the Deed of Non-competition, each of the Covenantors has unconditionally and irrevocably undertaken to our Group to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of each of the Covenantors and their respective associates to ensure compliance with the terms and conditions of the Deed of Non-competition. Each of the Covenantors has unconditionally and irrevocably undertaken under the Deed of Non-competition that he or it shall provide to us and our Directors (including the INEDs) from time to time all information necessary for the annual review by the INEDs with regard to compliance with the terms of the Deed of Non-competition by the Covenantors. Each of the Covenantors has also unconditionally and irrevocably undertaken to make an annual declaration as to full compliance with the terms of the Deed of Non-competition and a consent to disclose such letter in our annual report.

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the paragraph headed “Structure of the Share Offer — Conditions of the Public Offer” in this prospectus. If any of such conditions is not fulfilled on or before the date falling 30 days after the date of this prospectus, 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 others under the Deed of Non-competition.

CORPORATE GOVERNANCE MEASURES

To further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest:

- (i) the Articles provide that except for a few exceptions set out in Note 1 to Appendix 3 of the Listing Rules (in relation to paragraph 4(1) of the same appendix only), a Director shall absent himself from participating in Board meetings (nor shall he be counted in the quorum) and voting on any resolution of the Board approving

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

any contract or arrangement or other proposal in which he or any of his associates is materially interested unless a majority of the INEDs expressly require him to attend;

- (ii) our INEDs will review on an annual basis the compliance with the Deed of Non-competition by the Covenantors;
- (iii) the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by the INEDs and the enforcement of the Deed of Non-competition;
- (iv) we will disclose in the “corporate governance report” section of our subsequent annual reports on how the Deed of Non-competition has been complied with;
- (v) we will disclose decisions on matters reviewed by our INEDs relating to the compliance of the Deed of Non-competition by the Covenantors, including why business opportunities referred by the Covenantor(s) were not taken up, in our subsequent annual reports; and
- (vi) the Covenantors will make an annual statement on compliance with the Deed of Non-competition in our subsequent annual reports.

Further, any transaction that is proposed between our Group and the Covenantors and/or their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders’ approval requirements.

With the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, our Group entered into a number of related party transactions, details of which are set out in note 15 to the accountants' report set out in Appendix I to this prospectus. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described below, these related party transactions have discontinued before the Latest Practicable Date.

Following the Listing, the following transactions will continue between our Group and the relevant connected person, which will constitute continuing connected transactions under the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Lease Agreement

Since each of the applicable percentage ratios (other than the profits ratio) for the transaction below is less than 5% with annual total consideration of less than HK\$3,000,000, the below transaction constitutes de minimis continuing connected transaction under Rule 14A.76(c) of the Listing Rules, which is fully exempted from shareholders' approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules.

NC Foundation and NC International entered into a property lease agreement (the "Lease Agreement"), details of which are set out below:

Date of agreement	:	20 June 2014
Parties	:	NC International as landlord and NC Foundation as tenant
Premises	:	A portion of the premises with a saleable area of approximately 855 sq. ft. (equivalent to approximately 79.432 sq. m.) located at Room 1812, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong with a total saleable area of approximately 870 sq. ft. (equivalent to approximately 80.826 sq. m.)
Term	:	Three years commencing on 1 April 2014 and expiring on 31 March 2017 (both days inclusive)
Rental and payment terms	:	HK\$18,400 per month payable in advance on the first day of each and every calendar month during the Term
Rental deposit	:	HK\$36,800

CONTINUING CONNECTED TRANSACTIONS

- Termination : The Tenant shall have the right to terminate the tenancy of the Premises at any time by giving not less than three calendar months' prior written notice to the Landlord or three months' rent in lieu of notice to the Landlord.
- Miscellaneous terms : The rental is exclusive of rates, Government rent and management charges.

During the Track Record Period, we used the Premises as office. However, we did not pay any rental to NC International for the use of the Premises.

The reason for entering into the Lease Agreement was that we have been using the Premises as office for years and any relocation will cause unnecessary disruption.

NC International is wholly-owned by Mr. Chu, a Controlling Shareholder and an executive Director of the Company. Therefore, NC International is our connected person under the Listing Rules. The transaction contemplated under the Lease Agreement will constitute continuing connected transaction for us under Chapter 14A of the Listing Rules upon the Listing.

With reference to the market data on rentals of similar properties in the locality, the rental in respect of the Premises is comparable to the market level of similar properties in the locality and is fair and reasonable.

Our Directors (including our INEDs) have confirmed that the transactions under the Lease Agreement are in the ordinary and usual course of business of our Group, on normal commercial terms or better, fair and reasonable and in the interests of our Company and Shareholders as a whole.

Financial assistance received by our Group from connected person

Between 2010 and 2011, our Group was awarded with a number of construction projects with substantial contract sums for which additional working capital was required by WBDB. To fulfill such capital requirement, under the relevant terms of the contracts entered into by our Group with WBDB, our Group elected to fulfill such capital requirement by way of director's loans (instead of bank financing). In such connection, three loans from Mr. Chu, a Controlling Shareholder and an executive Director of the Company, amounting to a total sum of HK\$18,310,000 were drawn. Such loans are unsecured, interest-free and with no fixed repayment terms. The repayment of such loans are subject to the consent of WBDB being obtained upon completion of the relevant construction projects. As at 20 June 2014, the total amount of such loans due to Mr. Chu by our Group was HK\$18,310,000.

CONTINUING CONNECTED TRANSACTIONS

Mr. Chu is a Controlling Shareholder and an executive Director of our Company. Therefore, Mr. Chu is our connected person under the Listing Rules. The transactions contemplated under the financial assistance received by our Group from Mr. Chu will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules upon the Listing.

Since the financial assistance received by our Group from Mr. Chu is (i) conducted on normal commercial terms or better; and (ii) not secured by the assets of our Group, the transactions constitute continuing connected transactions under Rule 14A.90 of the Listing Rules, which are fully exempted from shareholders' approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules.

Our Directors (including our INEDs) have confirmed that the transactions contemplated under the financial assistance received by our Group from Mr. Chu are in the ordinary and usual course of business of our Group, on normal commercial terms or better, fair and reasonable and in the interests of our Company and Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Financial assistance provided by our Group to connected person

During the Track Record Period, our Group advanced loans to Mr. Chu, a Controlling Shareholder and an executive Director of our Company. As at 20 June 2014, Mr. Chu had an amount outstanding payable to our Group in the sum of HK\$18,310,000.

As mutually agreed between Mr. Chu and our Group, the outstanding balance payable by Mr. Chu to our Group would be offset against the loan granted by Mr. Chu which also amounted to HK\$18,310,000 as at 20 June 2014. Details of such arrangement are mentioned above under paragraph headed "Financial assistance received by our Group from connected person" in this section.

To effect the netting-off of the above mentioned balances, Mr. Chu and NC Engineering entered into a netting-off agreement on 20 June 2014. Pursuant to such agreement, upon the obtaining of consent from WBDB, the amount owing from Mr. Chu will be netted off against the loan from Mr. Chu. In addition, pursuant to the agreement, Mr. Chu has undertaken not to (and has undertaken to procure his close associates (other than our Group) not to) assign, draw or repay any loan from or to our Group. Our Company intends to seek WBDB's consent after completion of certain projects in the second half of 2014. In view that Mr. Chu has undertaken not to draw any further loan from our Group, the annual cap for the financial assistance provided by our Group to Mr. Chu will be HK\$18,310,000 for FY2015.

CONTINUING CONNECTED TRANSACTIONS

Mr. Chu is a Controlling Shareholder and an executive Director of our Company. Therefore, Mr. Chu is our connected person under the Listing Rules. The transactions contemplated under the financial assistance provided by our Group to Mr. Chu will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules upon the Listing.

Since each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated under the financial assistance is either greater than 5%, or less than 25% with total consideration greater than HK\$10,000,000, the transactions contemplated under the financial assistance constitute continuing connected transactions which are subject to the reporting, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules.

Our Directors (including our INEDs) have confirmed that the transactions contemplated under the financial assistance provided by our Group to Mr. Chu are on normal commercial terms, fair and reasonable and in the interests of our Company and Shareholders as a whole.

The amount owing from Mr. Chu to our Group (i.e. NC Engineering) mainly arose from our Group's advance to Mr. Chu. Given that the loan to our Group from Mr. Chu (which repayment is subject to WBDB's consent) is interest free, in order to ensure the exactly same amount of the two loans upon netting off, the amount owing from Mr. Chu to our Group should follow the terms of the loan from Mr. Chu and thus be interest free.

In view of such, the Sole Sponsor also considers that the transactions contemplated under the financial assistance provided by our Group to Mr. Chu are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

Waiver from the Stock Exchange

We have applied to the Stock Exchange, and the Stock Exchange has granted a waiver to us from strict compliance with the announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules. We will comply with the requirements specified under Rule 14A.105 of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board consists of four executive Directors and four INEDs.

The following table sets forth certain information with respect to our Directors:

Name	Age	Position/Title	Date of joining our Group	Date of becoming a Director	Roles and responsibilities in our Group	Relationship with other Directors or senior management
Mr. Chu Shu Cheong	54	Chairman and executive Director	September 1996	3 April 2014	— Responsible for formulation of development strategies and overseeing business development and daily operation of our Group	No
Mr. Kwan Man Hay	59	Chief executive and executive Director	July 1999 and rejoined in April 2010	22 May 2014	— Responsible for strategic planning, overseeing tendering and execution of our Group's foundation, civil engineering and building projects, and overseeing our Group's administrative functions	No
Mr. So Kin Shing	72	Executive Director	May 2000	22 May 2014	— In charge of technical and resources support of execution of building works, foundation works and site formation works and ensuring projects carried out by our Group complies with Buildings Ordinance and allied regulations	No
Ms. Lai Mun Yee	50	Executive Director	October 1999	22 May 2014	— Responsible for overseeing our Group's administration, accounting and taxation functions	No
Mr. Lo Chun Chiu, Adrian	58	INED	August 2014	26 August 2014	See note below	No
Dr. Tong Ka Lok	51	INED	August 2014	26 August 2014	See note below	No

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position/Title	Date of joining our Group	Date of becoming a Director	Roles and responsibilities in our Group	Relationship with other Directors or senior management
Mr. Choy Wai Shek, Raymond, MH, JP	65	INED	January 2013	26 August 2014	See note below	No
Dr. Huen Wai Kei	55	INED	August 2014	26 August 2014	See note below	No

Note: Participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the Audit Committee, Remuneration Committee and Nomination Committee (as the case may be).

Executive Directors

Mr. Chu Shu Cheong (朱樹昌), aged 54, is the founder and Chairman of our Group and the Controlling Shareholder. Mr. Chu was redesignated as an executive Director on 22 May 2014. Mr. Chu established NC Engineering in 1996 and acquired NC Foundation in 1999. Mr. Chu possesses over 17 years of management experience in foundation, civil engineering and building works of various nature. Mr. Chu is primarily responsible for formulation of development strategies, overseeing business development and daily operation of our Group. Immediately after completion of the Share Offer and the Capitalisation Issue, Mr. Chu will through BVI Holdco have approximately 56% attributable interest in the issued share capital of the Group.

Besides his business establishment, Mr. Chu was also appointed as the honorary chairman of the China Star Light Charity Fund Association in 2000, a member of the Guangdong Province Committee of the Chinese People's Political Consultative Conference ("CPPCC")* (中國人民政治協商會議廣東省從化市委員會) in October 2011 and a member of the Guangzhou Committee of the CPPCC* (中國人民政治協商會議廣州市委員會) in December 2011.

Mr. Kwan Man Hay (關萬禧), aged 59, is the Chief Executive of our Group and was appointed as our executive Director on 22 May 2014. He is responsible for the strategic planning, overseeing tendering and execution of our Group's foundation, civil engineering and general building projects. Mr. Kwan is also responsible for overseeing our Group's administrative functions. Immediately after completion of the Share Offer and the Capitalisation Issue, Mr. Kwan will through BVI Holdco have approximately 19% attributable interest in the issued share capital of the Group.

Mr. Kwan has over 30 years of experience in the engineering and construction industry. He is a member of the following professional bodies: Hong Kong Institution of Engineers (HKIE), the Chartered Institute of Building (CIOB), the Chartered Institute of Arbitrators (CI Arb). He is also a Registered Professional Engineer (RPE) recognised by the Engineers Registration Board. Mr. Kwan is the holder of Higher Diploma in Building

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Technology and Management and Associate Diploma in Building Technology and Management awarded by the then Hong Kong Polytechnic in November 1978 and November 1982 respectively.

In October 1997, Mr. Kwan was a director of NC Foundation (which at such time has not been included in our Group) and was then responsible for overseeing the tendering and execution of the Group's foundation works, civil engineering and building projects. Mr. Kwan joined Lanon Development Limited as a director and left our Group in April 2005. In April 2010, Mr. Kwan re-joined the Group as a senior management and was appointed as director of both NC Engineering and NC Foundation in 2012. Since then, Mr. Kwan has been responsible for strategic planning, and overseeing of tendering and execution of the Group's foundation works, civil engineering and building projects. Mr. Kwan is also responsible for overseeing the Group's administrative functions.

Mr. Kwan first joined NC Foundation in 1997 and NC Foundation became part of our Group in 1999. Before and some time after re-joining our Group in April 2010, Mr. Kwan worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/entity	Office	Principal functions
June 1978 to November 1978	Yau On Construction Co	Assistant quantity surveyor	Preparing tender documents and monitoring site progress
December 1978 to March 1981	Dragages et Travaux Publics	Quantity surveyor	Quantity surveying
March 1981 to July 1990 (<i>Note 1</i>)	Aoki Corporation	Quantity surveyor/ contracts manager	Planning, programming and management of work (<i>Note 4</i>)
November 1989 to April 2002 (<i>Note 1</i>)	Geoworks Holdings Limited and/or its fellow companies (<i>Note 2</i>)	Director and project manager (as the case may be)	Planning and monitoring the progress of works
September 2004 to March 2011	Lanon Development Limited (<i>Note 3</i>)	Director	Overseeing overall operations

Notes:

1. According to Mr. Kwan, when he tendered resignation to Aoki Corporation, the senior management of Aoki Corporation discussed with Mr. Kwan to explore the possibility for him to assist them to complete the administrative works of some on-going cases on hand which mainly involved dealing with contract claims of those cases. When Mr. Kwan decided to join Geoworks Holdings Limited and/or its fellow companies, the business of Geoworks Holdings Limited and/or its fellow

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companies were still at their start-up stage. Mr. Kwan did not anticipate substantial works to be handled in Geoworks Holdings Limited and/or its fellow companies in the coming months. Mr. Kwan, in order to maintain good relationship with Aoki Corporation, after discussion with other management of Geoworks Holdings Limited and/or its fellow companies, agreed to complete the then outstanding administrative works on hand for Aoki Corporation while at the same time taking up the director role in Geoworks Holdings Limited and/or its fellow companies. As confirmed by Mr. Kwan, under the mutual agreement between himself and the management of Aoki Corporation, Mr. Kwan continued to handle the remaining administrative works regarding the then contract claims on hand after he tendered his resignation and joined Geoworks Holdings Limited and/or its fellow companies. As a result, there was a concurrent employment of nine months.

2. Mr. Kwan served as a director of (i) Geoworks Construction Company Limited from November 1989 to July 1999; (ii) Geoworks Contractors (HK) Limited from February 1991 to March 1997; (iii) Geoworks Equipment Company Limited from December 1991 to February 1999; and (iv) Geoworks Holdings Limited in December 1991 and ceased to be a director when the company dissolved in April 2002. The companies mentioned in (i) to (iv) above were held by the same shareholders at the relevant time.
3. Mr. Kwan rejoined our Group as senior management in April 2010, when he was still a director of Lanon Development Limited. At the time when Mr. Kwan decided to leave Lanon, some other technical representatives also left that company. As Mr. Kwan left Lanon on good terms, Mr. Kwan agreed to maintain his office of director (as well as technical representative) with Lanon, so that Lanon may find replacement for him and other staff. As the appointment of new technical representative(s) was subject to vetting and approval by the Development Bureau, it took almost one year for appropriate replacements to be identified and appointed. Though Mr. Kwan remained in the office of director during the period between early 2010 and early 2011, his only responsibility was to oversee the Lanon Project which was not yet completed. When Mr. Chu approached Mr. Kwan and invited him to work for the Group in around April 2010, Mr. Kwan made it clear that he had to remain in office of director and technical representative of Lanon for about one year. As the Lanon Project was nearing the completion stage and despite Mr. Kwan's departure from Lanon, the management and Mr. Kwan were on good terms, management of Lanon agreed to let Mr. Kwan join the Group, on the condition that he would continue to oversee the Lanon project until its completion. Please refer to the paragraph headed "History and corporate structure — Lanon Development Limited ("Lanon") and Sumiya Holdings Limited ("Sumiya Holdings")" in this prospectus for further details.
4. According to Mr. Kwan, he was considered a senior officer in the contracts management and administrative division and did not take up any senior management role in the overall operation of Aoki Corporation.

Petition and discharge of bankruptcy order

Mr. Kwan filed a bankruptcy petition voluntarily with the High Court of Hong Kong on 27 July 1999.

According to Mr. Kwan, apart from NC Foundation, he was one of the directors of Geoworks Holdings Limited and its fellow companies during the 1990s ("Relevant Private Companies") which principally engaged in the construction business in Hong Kong. These Relevant Private Companies (not including NC Foundation) were granted certain financial facilities ("Financial Facilities") by several banks ("Banks") in Hong Kong, including bank overdraft, hire purchase for plants and barges and property leasing for its office. As a security and one of the conditions precedent for the Financial Facilities, each of the directors of the Relevant Private Companies was required to provide a joint and several

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personal guarantee in favour of the Banks. The Relevant Private Companies used the borrowings to acquire plants and equipment for their construction business. Approaching 1998, the local economy of Hong Kong turned sour. There were fewer business opportunities for the Relevant Private Companies. Further, financial institutions began to tighten their credit policy in general, which imposed heavy pressure on the liquidity of the Relevant Private Companies. In addition, the Relevant Private Companies were not able to offload their capital commitment nor generate sufficient cashflow. All these factors resulted in difficulty for the Relevant Private Companies to settle their regular repayments to the Banks.

In the first and second quarters of 1999, the creditors of the Relevant Private Companies filed petitions for winding-up against some of the Relevant Private Companies. As confirmed by Mr. Kwan, having considered his inability to repay all the outstanding debts owing by the Relevant Private Companies to the Banks personally guaranteed by him, Mr. Kwan decided to file a bankruptcy petition voluntarily on 27 July 1999.

Having regard to (i) the bankruptcy order made by the High Court of Hong Kong on 22 September 1999; (ii) the voluntary bankruptcy petition of Mr. Kwan; and (iii) the certificate of discharge pursuant to Rule 92 of the Bankruptcy Rules (Cap. 6A) issued by the High Court of Hong Kong on 14 February 2007, certifying that Mr. Kwan was discharged from his bankruptcy on 22 September 2003, the Directors were not aware that the bankruptcy of Mr. Kwan was resulted from or related to dishonesty or any integrity issue. In addition, pursuant the certificate of discharge pursuant to Rule 92 of the Bankruptcy Rules (Cap. 6A of the Laws of Hong Kong), no conditions were imposed on Mr. Kwan's discharge from his bankruptcy.

Having taken into account the above factors and also Mr. Kwan's professional qualifications and work experience, our Directors consider that Mr. Kwan has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as an executive Director.

Mr. So Kin Shing (蘇健誠), aged 72, was appointed as our executive Director on 22 May 2014. Mr. So is in charge of technical and resources support of execution of building, foundation and site formation works and is also responsible for ensuring projects carried out by our Group complies with Buildings Ordinance and related regulations.

Mr. So has over 40 years of experience in the engineering and construction industry. Besides his studies at the Hong Kong Technical College in 1960 to 1963, Mr. So also studied at the Department of Civil and Structural Engineering at University College, Cardiff, United Kingdom and obtained a Master of Science degree in July 1987. Mr. So is a Chartered Engineer of The Council of Engineering Institutions since December 1970. He is currently an Authorised Person and Registered Structural Engineer under the Buildings Ordinance.

Mr. So joined our Group in 2000 and 2001 as a director of NC Foundation and NC Engineering respectively. He acts as Technical Director under the Buildings Ordinance for NC Foundation during the period from May 2001 to January 2006 and from September 2010 to the present.

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Before Mr. So joined our Group, Mr. So worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/ entity	Office	Principal functions
March 1973 to May 1979	Buildings Department [#]	Structural engineer	Processing and submitting structural plans for approval
May 1979 to March 1989	Buildings Department [#]	Senior structural engineer	Processing and submitting structural plans for approval
December 1989 to December 1994	Buildings Department [#]	Chief structural engineer	Processing and submitting structural plans for approval
July 1995 to January 1997	Buildings Department [#]	Head of site monitoring section	Setting up site inspection guidelines and administrative procedures
February 1997 to Present	K.S. So & Associates Limited	Director	Overseeing overall operations
November 2002 to May 2010	Lanon Development Limited	Director	Management and supervision of projects

[#] Current name of the employer/entity as at the Latest Practicable Date

Ms. Lai Mun Yee (賴敏儀), aged 50, was appointed as our executive Director on 22 May 2014. She is responsible for overseeing the administration, accounting and taxation functions in our Group.

Ms. Lai joined our Group in October 1999 and is the accountant of our Group. Ms. Lai is a diploma holder in accounting for executives awarded by The Chinese University of Hong Kong jointly organised by the Faculty of Business Administration and The Asia Pacific Institute of Business in October 2001. Ms. Lai has over 24 years of accounting experience.

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Before she joined our Group, Ms. Lai worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/ entity	Office	Principal functions
February 1989 to December 1995	Hoi Tong Construction Co. Ltd.	Accountant	Handling financial accounts and supervision of junior accounts staff
February 1996 to November 1996	Hayland International Ltd.	Finance and administration manager	Handling administration works, financial accounts and planning cash forecast
November 1996 to July 1997	Wah Tak Motors Ltd.	Senior accounts clerk	Performing accounting works
July 1997 to May 1999	Ip Kwan and Co.	Administration and accounts manager	Handling administration and accounting works

INEDs

Mr. Lo Chun Chiu, Adrian (羅俊超), aged 58, was appointed as our INED with effect from 26 August 2014. Mr. Lo was awarded a Bachelor of Laws degree by the University of London in August 1988. He is a member of the Law Society in Hong Kong and has been a practicing solicitor in Hong Kong since November 1991 in general legal practice. From December 1993 to the present, Mr. Lo has been a partner of Joseph C.T. Lee & Co., Solicitors, and engaged in various fields of legal practice involving commercial and conveyancing litigation, acquisition and sale of business and/or companies, company liquidation, charity foundation works, formation of religious organisations, family law, immigration law and employment law.

Dr. Tong Ka Lok (唐嘉樂), aged 51, was appointed as our INED with effect from 26 August 2014. Dr. Tong was awarded a Doctor of Public Health degree (epidemiology and biostatistics) from the Macau University of Science and Technology in August 2013. Dr. Tong is a founder and partner of Baker Tilly (Macao) which was established in October 2000. He is an auditor registered at the Committee for the Registry of Auditors and

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Accountants in Macau in January 2006. Besides his business establishment, Dr. Tong was appointed as a member of the Nanjing Committee of CPPCC* (中國人民政治協商會議南京市委員會) in 2012 and a University Council Member of the Macau University of Science and Technology in September 2013. Up to the Latest Practicable Date, Dr. Tong has over 13 years of accountancy experience.

Mr. Choy Wai Shek, Raymond, MH, JP (蔡偉石, 榮譽勳章, 太平紳士), aged 65, was appointed as our INED with effect from 26 August 2014. Mr. Choy holds a Diploma in Chinese Law awarded from the University of East Asia (now known as the University of Macau) in October 1987 and a Diploma in Political Science from the International Affairs College, Hong Kong in July 1988. Mr. Choy joined our Group in January 2013 as a director of NC Foundation. Mr. Choy has been carrying out an independent non-executive role in NC Foundation, mainly responsible for advising on corporate governance of NC Foundation. Mr. Choy also acts as an independent non-executive director of Far East Hotels and Entertainment Limited, a company listed on the Main Board (stock code: 37). He was the Chairman of the Sham Shui Po District Board from April 1991 to September 1994, a Hong Kong affairs adviser appointed by the Hong Kong and Macao Affairs Office of the State Council and the Xinhua News Agency from 1994 to 1997, the vice-chairman of the Occupational Safety and Health Council of the Labour and Welfare Bureau from 2004 to 2010, a member of the Energy Advisory Committee of the Environment Bureau from 2006 to 2012 and a member of the Consumer Council of the Commerce and Economic Development Bureau from 2005 to 2011.

He became a member of the Guangzhou Committee of the CPPCC* (中國人民政治協商會議廣州市委員會) in December 2011. He was also appointed as a vice president of GMC Hong Kong Member Association in February 2012 and as a director of the Chinese General Chamber of Commerce in November 2012.

Dr. Huen Wai Kei (禰偉旗), aged 55, was appointed as our INED with effect from 26 August 2014. Dr. Huen was awarded a Doctor of Solid Mechanics degree from Jilin University, the PRC in June 2010, a Doctor of Applied Economics degree from the School of Economics and Management at Tsinghua University, the PRC in July 2008 and a Master of Chinese Degree from the University of Macau in June 1999. Dr. Huen was admitted an associate of The Association of Cost and Executive Accountants in London in April 1994 and was registered as an auditor in the Committee for the Registry of Auditors and Accountants in Macau in June 2000. He was appointed a consultant for the National Zhanjiang Economic and Technological Development Zone* (國家級湛江經濟技術開發區) in July 2008. In 1991, Dr. Huen joined the treasury department of Sociedade de Turismo e Diversões de Macau, S.A. the ultimate holding company of SJM Holdings Limited, a company listed on the Main Board (stock code: 880) which is authorised to operate casinos in Macau. He was subsequently transferred to Sociedade de Jogos de Macau, S.A. in 2002, a subsidiary of SJM Holdings Limited, and is currently serving as senior treasurer.

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 13.51(2) of the Listing Rules.

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Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group at the Latest Practicable Date;
- (ii) had any other relationship with any directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; and
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

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SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

Name	Age	Date of joining our Group	Date of appointment as executive Director/senior management	Position/Title
Mr. Chu Shu Cheong	54	September 1996	22 May 2014	Chairman of our Group and Executive Director
Mr. Kwan Man Hay	59	July 1999 and rejoined in April 2010	22 May 2014	Chief Executive Officer and Executive Director
Mr. So Kin Shing	72	May 2000	22 May 2014	Executive Director
Ms. Lai Mun Yee	50	October 1999	22 May 2014	Executive Director
Mr. Cheng Yui Hung	56	March 2013	1 March 2013	General manager
Mr. Sung Kar Chow	54	June 2013	10 June 2013	General manager
Mr. Leung Kin Keung, Joe	44	June 1999	1 June 1999	Contract manager
Mr. Chow Chi Keung	40	February 2014	10 February 2014	Company secretary and financial controller

Mr. Chu Shu Cheong (朱樹昌), please refer to the paragraph headed “Directors” in this section for Mr. Chu’s biography.

Mr. Kwan Man Hay (關萬禧), please refer to the paragraph headed “Directors” in this section for Mr. Kwan’s biography.

Mr. So Kin Shing (蘇健誠), please refer to the paragraph headed “Directors” in this section for Mr. So’s biography.

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Ms. Lai Mun Yee (賴敏儀), please refer to the paragraph headed “Directors” in this section for Ms. Lai’s biography.

Mr. Cheng Yui Hung (鄭銳雄), aged 56, is the general manager of our Group. He joined our Group in March 2013 and has since then been responsible for the management of all operations of building and civil engineering projects with various clients of our Group.

Mr. Cheng graduated with a Master of Science Degree in construction engineering from The University of Leeds, United Kingdom in December 1986, a Bachelor of Science Degree in civil engineering from Middlesex Polytechnic, United Kingdom in July 1985 and obtained a diploma in structural engineering from the Hong Kong Polytechnic, in November 1979. Mr. Cheng was admitted as a Member of the Chartered Institute of Building (CIOB) in February 1989, Registered Assessor of Quality Training Certificate at P-E Batalas in November 1994 and a Member of the Institution of Civil Engineers (ICE) in February 1998.

Before he joined our Group, Mr. Cheng worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/entity	Office	Principal functions
February 1997 to July 1997	Water Supplies Department	Engineer	Planning, design and construction of waterworks project
October 1999 to October 2000	Water Supplies Department	Contract engineer (civil)	Planning, design and construction of waterworks project
January 2002 to December 2002	Yick Hing Construction Company Limited	Assistant project manager	Working as the agent for drainage works
February 2003 to August 2007	Barbican Construction Co., Ltd.	Project manager	Monitoring project progress
February 2008 to February 2009	Materials of Decoration Engineering Beilida (Macau) Company Limited	Vice manager	Managing projects in the Hong Kong and Macau markets
July 2008 to February 2013	Lanon Development Limited	Project manager	Managing projects

Mr. Sung Kar Chow (宋加洲), aged 54, is the general manager of our Group. He joined our Group in June 2013 and since then was responsible for the management of all foundation projects, including deployment of our Group’s plants and equipment.

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Before he joined our Group, Mr. Sung worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/entity	Office	Principal functions
December 1996 to January 2012	DrilTech Ground Engineering Limited	Director and general manager	Overseeing operations of the company
February 2012 to March 2013	Chun Wo Foundations Limited	Deputy general manager	Overseeing overall operations

Mr. Leung Kin Keung, Joe (梁健強), aged 44, is the contract manager of our Group. He joined our Group in June 1999 and since then was responsible for the management of the tendering of all the projects of our Group. Mr. Leung obtained a Higher Certificate in Building Studies from Hong Kong Technical Colleges in July 1996 and a Certificate in Building Studies from Morrison Hill Technical Institute in August 1994.

Before he joined our Group, Mr. Leung worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/entity	Office	Principal functions
September 1994 to April 1996	Gold Banner Construction & Development Limited	Assistant quantity surveyor	Working as quantity surveyor
April 1996 to May 1999	Duk Construction Company Limited	Quantity surveyor	Supervising construction activities, tendering, quantity surveying and handling interim payment documents

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Mr. Chow Chi Keung, aged 40, was appointed as our company secretary and financial controller on 10 February 2014. Mr. Chow was awarded an honour diploma in accounting from Hong Kong Shue Yan College in June 1998. Mr. Chow is a member of HKICPA in March 2003. He possesses over 13 years of experience in providing audit and assurance service to clients.

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Before he joined our Group, Mr. Chow worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/entity	Office	Principal functions
September 2000 to October 2006	Baker Tilly Hong Kong	Auditor	Performing audit works
November 2006 to March 2013	World Link CPA Limited	Audit manager	Performing audit works
April 2013 to February 2014	Wellink CPA Limited	Audit manager	Performing audit works

BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee were approved to be established by resolutions passed by our Board on 26 August 2014. The memberships of such committees are as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Director</i>			
Mr. Chu Shu Cheong	N.A.	N.A.	Member
Mr. Kwan Man Hay	N.A.	Member	N.A.
Mr. So Kin Shing	N.A.	N.A.	N.A.
Ms. Lai Mun Yee	N.A.	N.A.	N.A.
<i>INED</i>			
Mr. Lo Chun Chiu, Adrian	Member	N.A.	Chairman
Dr. Tong Ka Lok	Chairman	N.A.	Member
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	N.A.	Member	Member
Dr. Huen Wai Kei	Member	Chairman	N.A.

Each of the above three committees has written terms of reference. The functions of the above three committees are summarised as follows:

Audit Committee

Our Audit Committee has written terms of reference in compliance with Code C.3 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and materials, provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

Remuneration Committee

Our Remuneration Committee has written terms of reference in compliance with Code B.1 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 of the Listing Rules. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

Nomination Committee

Our Nomination Committee has written terms of reference in compliance with Code A.5 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 of the Listing Rules. The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and make recommendation to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of INEDs; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our chairman and the chief executive officer.

HUMAN RESOURCES

We generally maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, our Group has not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

Labour disputes

During the Track Record Period, our Group was not a party to any labour claims in relation to labour disputes between our employee, our sub-contractors and/or their direct labour.

Benefits and social insurance

As required by the employment laws in Hong Kong, our Group participates in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. We contribute 5% of our employees' relevant income per month as required under the ordinance, subject currently to a maximum of HK\$1,250 per employee. Contributions from us are 100% vested in each employee immediately but, subject to limited exceptions, all

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benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or ceases employment and the employee declares not to become employed or self-employed within the foreseeable future.

Remuneration policy

The aggregate amounts of remuneration of our senior management for the three years ended 31 March 2014 were of approximately HK\$0.4 million, HK\$0.5 million and HK\$1.8 million respectively.

The aggregate amounts of remuneration of our Directors for the three years ended 31 March 2014 were approximately HK\$0.6 million, HK\$0.9 million and HK\$1.5 million respectively. Details of the arrangement for remuneration are set out in note 7 to the accountants' report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' service agreements and letters of appointment referred to in the paragraph headed "C. Future information about substantial Shareholders, Directors and experts — 2. Particulars of service agreements" in Appendix IV to this prospectus, the aggregate amount of directors' fee and other emoluments payable to our Directors for FY2015 is estimated to be approximately HK\$3.8 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, the Remuneration Committee will make recommendations to our Board on the overall remuneration policy and compensating packages relating to all Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme and intends to grant options to our executive Directors and senior management of our Group after Listing. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward our Directors and other selected participants for their contributions to us.

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The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date.

A summary of the principal terms of the Share Option Scheme is set out in paragraph headed “D. Share Option Scheme” in Appendix IV to this Prospectus.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Halcyon Capital Limited as our Group’s compliance adviser, who will have access to our Company’s authorised representatives, executive Directors and other officers at all reasonable times. The compliance adviser will advise our Company on ongoing compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Share Offer. The material terms of the compliance adviser’s agreement to be entered into between our Company and the compliance adviser are as follows:

- (i) the compliance adviser’s appointment is for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date (the “Term”);
- (ii) the compliance adviser shall provide our Company with guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines in Hong Kong;
- (iii) our Company will indemnify the compliance adviser against all claims, actions, demands, liabilities, proceedings and judgment brought or established against, and all costs, charges and expenses suffered or incurred by the compliance adviser arising from or in connection with such appointment and/or the resignation or termination in relation thereto, unless such losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands are determined by a final court of jurisdiction to have arisen solely as a result of willful default or gross negligence on the part of the compliance adviser; and
- (iv) either our Company or Halcyon Capital Limited may terminate the said appointment prior to the expiry of the Term in accordance with this terms and conditions.

EMPLOYEES

As at the Latest Practicable Date, we had 95 full-time employees who were directly employed by our Group in Hong Kong. Please refer to the paragraph headed “Business — Employees” in this prospectus for a breakdown of our employees by function as at the same date.

SHARE CAPITAL

Without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer and the Capitalisation Issue will be as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
2,000,000,000 Shares		200,000,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:</i>		
		<i>HK\$</i>
10,000 Shares in issue at the date of this prospectus		1,000
299,990,000 Shares to be issued pursuant to the Capitalisation Issue		29,999,000
<u>100,000,000</u> Shares to be issued pursuant to the Share Offer		<u>10,000,000</u>
<i>Total:</i>		
<u>400,000,000</u> Shares		<u>40,000,000</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 other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 26 August 2014, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 299,990,000 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company at the close of business on 25 August 2014 (or as they may direct) in proportion to their respective 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\$29,999,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure of the Share Offer — Conditions of the Public Offer” in 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 the

SHARE CAPITAL

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 any exercise of option to be granted under the Share Option Scheme, 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 Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the 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 paragraph headed “Repurchase mandate” below.

This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “A. Further Information about our Company and our Group — 3. Written resolutions of our sole Shareholder passed on 26 August 2014” in Appendix IV to this prospectus.

REPURCHASE MANDATE

Conditional on conditions as stated in paragraph headed “Structure of the Share Offer — Conditions of the Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the 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 the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further Information about our Company and our Group — 6. Repurchases of our Shares by our Company” in Appendix IV to this prospectus.

SHARE CAPITAL

The Repurchase Mandate will remain in effect until:

- (i) the conclusion of our Company's next annual general meeting;
- (ii) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of the Repurchase Mandate, please refer to the paragraph headed "A. Further Information about our Company and our Group — 3. Written resolutions of our sole Shareholder passed on 26 August 2014" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please see the section headed "Summary of the constitution of our Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" as set out in Appendix IV to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar rights convertible into the Shares as at the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be 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 our Shares

Name	Nature of interest	No. of Shares held/ interested	Approximate percentage of shareholding
BVI Holdco	Beneficial owner (Note 1)	300,000,000	75%
Mr. Chu	Interest in controlled corporation (Note 2)	300,000,000	75%
Mr. Kwan	Interest in corporation (Note 2)	75,000,000	18.75%

Notes:

1. BVI Holdco is a company incorporated in the BVI and will own 75% shareholding interest in the Company immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme.
2. Each of Mr. Chu and Mr. Kwan owns 75% and 25% of the issued share capital of BVI Holdco, respectively. Immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, BVI Holdco will be the beneficial owner holding 75% shareholding interest in our Company and thus Mr. Chu will be deemed or taken to be interested in all the Shares which are to be beneficially owned by BVI Holdco for the purpose of the SFO. Mr. Chu and Mr. Kwan are directors of BVI Holdco.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be 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 and are therefore regarded as substantial shareholders under the Listing Rules.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our combined financial statements as at the closing date of and for FY2012, FY2013 and FY2014 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. The accountants' report has been prepared in accordance with HKFRSs. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties (including those discussed below or elsewhere in the prospectus). For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

Our Group is principally engaged in foundation, civil engineering and general building works in Hong Kong. The business is generally undertaken by our principal operating subsidiaries, NC Foundation and NC Engineering, as main contractor or sub-contractor in various construction projects. Our Group also occasionally engaged in foundation works in Macau. In addition to the undertaking of construction projects in Hong Kong, we leased our unutilised machines to Independent Third Parties and a related party to our Group, provided management services and sold construction materials during the Track Record Period, which we recorded such income as other income of our Group.

The following table sets forth a breakdown of our revenue by activities for the Track Record Period:

	FY2012		FY2013		FY2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Foundation	79,443	42	34,157	15	81,946	18
Civil engineering	108,747	57	98,102	42	65,149	14
General building	<u>2,668</u>	<u>1</u>	<u>98,166</u>	<u>43</u>	<u>315,926</u>	<u>68</u>
Total	<u>190,858</u>	<u>100</u>	<u>230,425</u>	<u>100</u>	<u>463,021</u>	<u>100</u>

Our Group recorded an increasing trend on revenue during the Track Record Period. The increase was mainly attributable to the increase in project scale of the construction projects carried out by our Group. Revenue contribution from each business segment of our Group fluctuated year-on-year during the Track Record Period, which was in line with the type of construction works being awarded to our Group during the respective periods. Generally, our Group has been developing all three business segments of our Group and has been participating (and will continue to participate) in the tendering of both public and private projects in respect of foundation works, civil engineering and general building works. For details regarding our Group's tendering information, please refer to the paragraph headed "Business — Operating procedures — Preparation and submission of tender documents" in this prospectus.

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For foundation and general building works which may generally have higher risk level, our bids will usually be higher to cover the comparatively higher level of risk.

During the Track Record Period, our total revenue was contributed by provision of foundation, civil engineering and general building works. The following table sets out the projects we participated in during the Track Record Period:

During FY2012

Project name (Note 1)	Public/ private project	Main nature of works	Role of our Group	Revenue contribution HK\$'000	Percentage of revenue contribution %	Amount due to/(from) customers for contract work HK\$'000	Percentage of completion as at year end %
Un Chau Street Foundation and Basement Project	Private	Foundation General building	Main contractor	48,645 2,033	25.5% 1.1%	2,500 —	48.3%
Tse Uk Tsuen Project	Private	Foundation	Sub-contractor	11,635	6.1%	—	100%
Kai Tak Project	Private	Foundation	Sub-contractor	7,887	4.1%	—	100%
Harbour Area (North HK) Project	Private	Foundation	Sub-contractor	4,404	2.3%	—	25.5%
Tuen Mun Road Project	Private	Foundation	Sub-contractor	4,400	2.3%	—	74.0%
Wong Chuk Hang Road Project	Private	Foundation	Sub-contractor	2,301	1.2%	—	53.0%
Sha Tin Slopes Project	Public	Civil engineering	Main contractor	45,731	24.0%	—	79.8%
Tung Chung Project	Public	Civil engineering	Main contractor	37,069	19.4%	—	95.7%
Central Slopes Project (Note 3)	Public	Civil engineering	Main contractor	13,878	7.3%	1,274	5.8%
To Kwa Wan Project	Private	Civil engineering	Main contractor	5,976	3.1%	—	97.4%
Wong Tai Sin Project (Note 3)	Public	Civil engineering	Main contractor	5,764	3.0%	974	3.4%
Tseng Choi Street Project	Private	General building	Main contractor	635	0.3%	—	100%
Others (Note 2)				500	0.3%	—	—
Total				190,858	100%	4,748	

During FY2013

Project name (Note 1)	Public/ private project	Nature of works	Role of our Group	Revenue contribution HK\$'000	Percentage of revenue contribution %	Amount due to/(from) customers for contract work HK\$'000	Percentage of completion as at year end %
Un Chau Street Foundation and Basement Project	Private	Foundation General building (Basement)	Main contractor Main contractor	15,146 40,580	6.6% 17.6%	—	100%
Harbour Area (North HK) Project	Private	Foundation	Sub-contractor	12,226	5.3%	—	77.9%
Tuen Mun Project	Private	Foundation	Sub-contractor	5,317	2.3%	—	100%
Wong Chuk Hang Road Project	Private	Foundation	Sub-contractor	1,468	0.6%	—	98.3%
Wong Tai Sin Project (Note 3)	Public	Civil engineering	Main contractor	50,581	22.0%	1,000	33.4%
Central Slopes Project (Note 3)	Public	Civil engineering	Main contractor	26,445	11.5%	1,000	16.9%
Sha Tin Slopes Project	Public	Civil engineering	Main contractor	16,368	7.1%	—	100%
Tung Chung Project	Public	Civil engineering	Main contractor	3,945	1.7%	—	100%
To Kwa Wan Project	Private	Civil engineering	Main contractor	763	0.3%	—	100%
Un Chau Street Building Project	Private	General building	Main contractor	57,586	25.0%	9,000	14.9%
Total				230,425	100%	11,000	

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During FY2014

Project name (Note 1)	Public/ private project	Nature of works	Role of our Group	Revenue contribution HK\$'000	Percentage of revenue contribution %	Amount due to/(from) customers for contract work HK\$'000	Percentage of completion as at year end %
Macau Project	Private	Foundation	Sub-contractor	19,292	4.2%	—	100%
Tong Yin Lane Project	Private	Foundation	Sub-contractor	16,466	3.6%	(25)	85.0%
Kap Pin Long Project	Private	Foundation	Main contractor	16,241	3.5%	18	53.2%
Wan Chai Road Project	Private	Foundation	Sub-contractor	15,881	3.4%	(2,033)	74.2%
Hung Hom Project	Private	Foundation	Sub-contractor	5,702	1.2%	—	100%
Tsing Wun Road Project	Private	Foundation	Sub-contractor	2,777	0.6%	(123)	29.2%
Harbour Area (South HK) Project	Private	Foundation	Sub-contractor	1,655	0.4%	180	24.4%
Yuen Long Project	Private	Foundation	Sub-contractor	1,621	0.4%	208	2.3%
Tsing Yi Project	Private	Foundation	Sub-contractor	761	0.1%	416	8.8%
Trio Beach Project	Private	Foundation	Sub-contractor	593	0.1%	—	52.07%
Harbour Area (North HK) Private Project	Private	Foundation	Sub-contractor	501	0.1%	—	78.4%
Central Slopes Project (Note 3)	Public	Civil engineering	Main contractor	35,275	7.6%	828	41.6%
Wong Tai Sin Project (Note 3)	Public	Civil engineering	Main contractor	29,874	6.5%	82	54.0%
Un Chau Street Building Project	Private	General building	Main contractor	306,355	66.2%	12,929	85.8%
Un Chau Street Foundation and Basement Project	Private	General building (Basement)	Main contractor	2,219	0.5%	—	100%
MacDonnell Road Project	Private	General building	Sub-contractor	7,022	1.5%	(446)	9.2%
Others (Note 2)				<u>786</u>	<u>0.1%</u>	<u>(454)</u>	
				<u>463,021</u>	<u>100%</u>	<u>11,580</u>	

Notes:

- The projects are presented in the order of the foundation, civil engineering and general building segments, and in descending order of revenue in each segment, except for projects which may comprise of works of two or more segments.
- “Others” include projects carried out during the Track Record Period with revenue contribution of each such project during the respective year of less than HK\$0.5 million.
- The above estimated contract sum of these projects adopted in calculating the percentage of completion as at each financial year end date may vary from the estimated contract sum of these projects stated in the section headed “Business” in this prospectus. The respective contract sums of these projects as disclosed in the section headed “Business” in this prospectus were revised and arrived by our project manager based on the reduction in the respective contract sum estimated by the project manager with reference to the revised scope of works as stated in the variation orders received from the consultant of our customer and the schedule of rates pursuant to the relevant construction contracts. Please refer to the paragraph headed “Construction projects — Projects in progress based on information available as at the Latest Practicable Date” for further details. Those variation orders only stated the reduction of scope of works of the Central Slopes Project and Wong Tai Sin Project and did not include a quantified revised contract sum amount. Under the relevant accounting standards, the reporting accountants view that those variation orders from an Independent Third Party did not indicate the respective customer’s express agreement with the revised contract sum amount, and thus the relevant “contract sums” are not revised according to the variation orders for accounting purposes in the accountants’ report.

During the Track Record Period, a substantial portion of our Group’s revenue was contributed by Un Chau Street Projects. The Un Chau Street Projects was a private sector service apartment development project, regarding the construction of a 30-storey residential building for service apartment purposes, located at Un Chau Street, Sham Shui Po, Kowloon, Hong Kong. Our Group was awarded as the main contractor of the foundation works and building works of this project. The final contract sum of the foundation works

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was approximately HK\$109.9 million and the estimated contract sum for the building works amounted to HK\$424.1 million as at the Latest Practicable Date. The revenue contribution of the Un Chau Street Projects during the Track Record Period was approximately HK\$50.7 million, HK\$113.3 million and HK\$308.6 million respectively, which accounted for approximately 26.6%, 49.2% and 66.7% of the total revenue during the Track Record Period respectively.

The following table sets forth a breakdown of our revenue and the respective gross profit margin attributable to the Un Chau Street Projects and other projects of our Group for the Track Record Period:

Business segments/ Projects	FY2012			FY2013			FY2014		
	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %
Foundation	79,443	15,478	19.5%	34,157	12,479	36.5%	81,946	22,752	27.8%
Un Chau Street Projects (foundation portion)	48,645	12,085	24.8%	15,146	12,479	82.4%	—	—	—
Other projects	30,798	3,393	11.0%	19,011	—	0%	81,946	22,752	27.8%
Civil engineering	108,747	3,127	2.9%	98,102	3,970	4.0%	65,149	2,478	3.8%
General building	2,668	1,234	46.2%	98,166	20,458	20.8%	315,926	59,939	19.0%
Un Chau Street Projects (general building portion, including basement)	2,033	767	37.7%	98,166	20,458	20.8%	308,574	58,337	19.0%
Other projects	635	467	73.5%	—	—	—	7,352	1,602	21.8%
Total attributable to the Un Chau Street Projects (both foundation and general building portions)	50,678	12,852	25.4%	113,312	32,937	29.1%	308,574	58,337	19.0%
Total	<u>190,858</u>	<u>19,839</u>		<u>230,425</u>	<u>36,907</u>		<u>463,021</u>	<u>85,169</u>	

Notes

1. The relatively high gross profit margin recorded for the Un Chau Street Projects in FY2013 was mainly attributable to the high profit margin of the Un Chau Street Foundation and Basement Project (foundation portion) in FY2013. The reasons are as follows:
 - (i) the Un Chau Street Foundation and Basement Project (foundation portion) recorded an overall higher profit margin of approximately 38%. It was due to the complexity of piling works in a densely populated urban area and the utilisation of our Group's own piling equipment;

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- (ii) certain variation works were carried out for the Un Chau Street Foundation and Basement Project (foundation portion) in FY2012 and hence associated costs were recorded in the FY2012. However, as the quantum of these variation works were only confirmed by our customer's architect in FY2013, the revenue in respect of these variation works was recognised in FY2013 instead; and
- (iii) our Group filed notices of claim in respect of the additional cost incurred due to certain changes in design for the Un Chau Street Foundation and Basement Project (foundation portion) in FY2012. These claims were only approved by our customer's architect in FY2013 and thus the revenue associated with these claims were only recognised in FY2013.

As the costs associated with (ii) and (iii) above were recorded in FY2012, while the respective revenue was recognised in FY2013, our Group's overall gross profit margin in FY2013 is substantially higher than that in FY2012.

2. Due to the allocation of the majority of our Group's resources to carry out the Un Chau Street Foundation and Basement Project, other foundation projects were sub-contracted to sub-contractors (being Independent Third Parties) at cost, while our Group acted as project manager in those projects. Management fee income was thus recognised from these foundation projects as other income of our Group.

BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the Cayman Islands on 3 April 2014. In preparation of the Listing, we underwent the Reorganisation, as detailed in the paragraph headed "A. Further information about our Company and our Group — 4. Corporate Reorganisation" in Appendix IV to this prospectus. As a result of the Reorganisation, our Company became a holding company of the subsidiaries comprising our Group.

The financial information includes the combined statements of profit and loss and other comprehensive income, combined statements of changes in equity, combined statements of cash flows and combined statements of financial position of the companies now comprising our Group. The financial information has been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever is a shorter period. The combined statements of financial position of our Group as at 31 March 2012, 31 March 2013 and 31 March 2014 have been prepared to present the assets and liabilities of our Group as at the respective dates as if the current group structure had been in existence at those dates.

Transactions, balances and unrealised gain or losses on transactions between companies within our Group are eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations are affected by a number of factors. Set forth below is a discussion of the most significant factors we believe may affect our results of operations in the future as well as those factors that have affected our results of operations and may continue to have such impact. Factors other than those set forth below could also have a significant impact on our results of operations and financial condition in the future.

Our construction projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers

During the Track Record Period, most of our revenue was derived from construction projects with the Hong Kong Government or private developers in Hong Kong. As at the Latest Practicable Date, we had 18 Major Projects in progress. There is no guarantee that we will be able to secure new contracts with customers and we may not be able to enter into construction projects with similar scale and contract sum. If any such event occurs, our future revenue and hence our future profit will be adversely affected.

Our ability to control the sub-contracting charges or construction materials costs after tendering or when there is material change in the project implementation timetable

Sub-contracting charges and construction materials costs represent a significant portion of our cost of sales.

For projects without pre-bid agreements made with our sub-contractors or suppliers of materials, we prepare tenders based on our estimated project costs (which mainly include sub-contracting charges and construction material costs) plus a mark-up margin. However, the related actual sub-contracting costs and material costs will not be determined, either until after we enter into agreements with our customers or when those costs are fixed and pre-agreed between the sub-contractors or suppliers and us during the tender preparation stage. Any material fluctuations in such charges or costs during this period may affect our profitability.

Our ability to complete our projects on a timely basis and in accordance with our implementation plan

Construction contracts are normally awarded through competitive tendering process. We determine a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. There is no assurance that the actual construction time and costs would not exceed our estimation during the actual implementation of the project. We currently generate, and expect to continue to generate, a portion of our revenues from fixed-price contracts. Our Group entered into some fixed price contracts during the Track Record Period. Under fixed-price contracts, we are required to complete a project at a fixed price, and may thereby be subject to cost overruns. Cost overruns may arise because of inefficiency, inaccurate estimates or other factors. They will

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result in lower profit or even a loss for a project. As a result, we will only realise profits on these fixed-price contracts if we, to a substantial extent, accurately estimate our project costs and technical difficulties and avoid cost overruns.

Many factors affect the time taken and the costs actually involved in completing construction projects undertaken by us. For instance, shortage and cost escalation of materials and labour, difficult geological conditions, adverse weather conditions, additional variations to the construction plans requested by customers, technical construction requirements, disputes with sub-contractors, accidents, and changes in the Hong Kong Government's priorities. Unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises, completion of construction works may be delayed or we may be subject to cost overruns or customers may even unilaterally terminate our contract.

Some of our contracts contain specific completion schedule requirements and liquidated damages provisions (i.e. we may have to pay the customer liquidated damages if we do not meet the schedules). Liquidated damages are typically levied at an agreed rate for each day of delay that is owing to our default. Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit expected from the relevant contracts.

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

Our ability to collect our receivables on time

We normally receive progress payment from our customers, either from the main contractor when we act as a sub-contractor, or from the employer where we act as a main contractor. Progress payment is generally made monthly by reference to the value of works done in that month. A portion of contract value (which generally is subject to a maximum of 5% of the total contract value) is usually withheld by our customers as retention money.

There is no assurance that progress payment will always be paid to us on time and in full, or the retention money or any future retention money will be paid by our customers to us on a timely basis and in full. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

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Our ability to agree on the price of variation works carried out by our Group

In the course of project implementation, our customers may give “variation orders” to us and request us to alter the scope of works or perform additional works on top of the terms and scope of the original construction contracts. The terms of these “variation orders” are agreed between our Group and the surveyor authorised by the customer in accordance with (among others) the following principle: any additional work carried out which is the same as or similar in character to (and executed under the same or similar conditions and circumstances to) any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work. If our Group and the surveyor authorised by the customer fail to reach agreement on the rate at which the variation works are determined, the surveyor authorised by the customer has the right to fix the rate as shall in his opinion be reasonable.

If our Group disagrees on the rates fixed by such surveyor, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

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. Our combined 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 appropriate 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 the changing environment and circumstances. We did not recognise any impairment loss during the Track Record Period.

For more details, see notes 2 and 4 to the accountants’ report set forth in Appendix I to this prospectus.

Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

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When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Contract costs are recognised when incurred.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to our Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, at the following annual rates:

Furniture and office equipment	25%
Motor vehicles	10–25%
Plant and machinery	10–25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets acquired under hire purchase arrangements are depreciated over their expected useful lives on the same basis as owned assets. Other assets held under finance leases are depreciated over the shorter of their lease terms or useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment, representing the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the statement of profit or loss.

Construction contracts in progress

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total

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contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

Our Group presents as an asset the gross amount due from customers for contract work for all contracts in progress or which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. Our Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which they are stated at cost.

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SELECTED FINANCIAL DATA

The following combined income statements for FY2012, FY2013 and FY2014 and the combined statement of financial position as of 31 March 2012, 2013 and 2014 are derived from, and should be read in conjunction with, our combined financial statements, including the notes thereto, included in the Accountants' Report set forth in Appendix I to this prospectus.

Combined statements of profit or loss and comprehensive income

	For the year ended 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	190,858	230,425	463,021
Cost of sales	<u>(171,019)</u>	<u>(193,518)</u>	<u>(377,852)</u>
Gross profit	19,839	36,907	85,169
Other income and net gains	9,342	6,042	11,155
Administrative expenses	(2,748)	(4,579)	(9,208)
Other operating expenses	(10,452)	(10,825)	(25,839)
Finance costs	<u>(20)</u>	<u>(19)</u>	<u>(347)</u>
Profit before taxation	15,961	27,526	60,930
Income tax expense	<u>(2,395)</u>	<u>(4,512)</u>	<u>(10,326)</u>
Profit and the total comprehensive income for the year attributable to equity holders of the Company	<u><u>13,566</u></u>	<u><u>23,014</u></u>	<u><u>50,604</u></u>

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Combined statements of financial position

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<u>7,998</u>	<u>16,138</u>	<u>33,888</u>
Current assets			
Trade and other receivables	19,311	42,265	69,084
Amount due from customers for contract work	—	—	3,081
Amounts due from directors	21,450	47,167	18,310
Amounts due from related companies	10,263	3,252	—
Pledged bank deposit	—	—	3,055
Cash and bank balances	<u>46,368</u>	<u>24,613</u>	<u>35,102</u>
	<u>97,391</u>	<u>117,297</u>	<u>128,632</u>
Total assets	<u><u>105,389</u></u>	<u><u>133,435</u></u>	<u><u>162,520</u></u>
EQUITY			
Capital and reserves			
Combined capital	14,000	14,000	14,000
Reserves	<u>24,709</u>	<u>37,223</u>	<u>35,370</u>
Total equity	<u><u>38,709</u></u>	<u><u>51,223</u></u>	<u><u>49,370</u></u>
LIABILITIES			
Non-current liabilities			
Loan from a director	18,310	18,310	18,310
Deferred tax liabilities	1,198	1,340	2,950
Obligations under finance leases	<u>—</u>	<u>5,731</u>	<u>10,251</u>
	<u>19,508</u>	<u>25,381</u>	<u>31,511</u>
Current liabilities			
Trade and other payables	40,448	41,313	57,557
Amounts due to customers for contract work	4,748	11,000	14,661
Amount due to a related company	130	70	—
Obligations under finance leases	—	1,853	5,080
Provision for taxation	<u>1,846</u>	<u>2,595</u>	<u>4,341</u>
	<u>47,172</u>	<u>56,831</u>	<u>81,639</u>
Total liabilities	<u><u>66,680</u></u>	<u><u>82,212</u></u>	<u><u>113,151</u></u>
Total equity and liabilities	<u><u>105,389</u></u>	<u><u>133,435</u></u>	<u><u>162,520</u></u>
Net current assets	<u><u>50,219</u></u>	<u><u>60,466</u></u>	<u><u>46,992</u></u>
Total assets less current liabilities	<u><u>58,217</u></u>	<u><u>76,604</u></u>	<u><u>80,881</u></u>

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DISCUSSION OF CERTAIN KEY INCOME STATEMENT ITEMS

Turnover

Turnover represents the gross contract receipts on construction contracts in the ordinary course of business.

	FY2012		FY2013		FY2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Foundation	79,443	42	34,157	15	81,946	18
Civil engineering	108,747	57	98,102	42	65,149	14
General building	<u>2,668</u>	<u>1</u>	<u>98,166</u>	<u>43</u>	<u>315,926</u>	<u>68</u>
Total	<u>190,858</u>	<u>100</u>	<u>230,425</u>	<u>100</u>	<u>463,021</u>	<u>100</u>

Our Group recognises revenue based on the percentage of completion method of completion of the sub-contracts in accordance with our Group's accounting policy which complies with Hong Kong Accounting Standard 11 "Construction Contracts" issued by HKICPA.

When recognising revenue for construction in progress, the revenue would be recognised by way of stage of completion method. Our customer will issue a progress certificate certifying the value of the construction work-in-progress during the preceding month. When recognising the construction contracts in progress at the end of the reporting period, the percentage of completion will be measured by the percentage of construction costs incurred to date as compared to the estimated total construction costs for the project. Such revenue recognition is based on the management's estimation of the total construction costs of the project. Budget on construction cost of each project is prepared by the management mainly on the basis of quotations from time to time provided by the major suppliers, vendors and sub-contractors involved in the project and/or based on the experience of the management. In order to ensure the budget's accuracy, our management conducts periodic reviews of on the budget by comparing the budgeted construction cost to the actual amount incurred, by making reference to the latest available information which includes detailed contract valuations from payment certificates issued by relevant surveyors.

Cost of sales

Cost of sales primarily consists of (i) construction materials costs; (ii) sub-contracting charges; (iii) staff costs; and (iv) machinery rental cost. Direct materials costs mainly represent direct costs for the purchase of concrete and cement, steel bar and other metal materials, diesel fuel and spare parts of machinery that are directly attributed to project works. Sub-contracting charges represent direct costs paid to our Group's sub-contractors to carry out part of our project works. Direct salary and wages represent compensation and benefits provided to direct workers involved in our projects. Other expenses in the cost of sales involved, machinery rental cost represents the cost incurred for renting of machines including generator and tower crane; and transportation expenses are the fees paid for

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transporting our machinery and equipment as well as the costs for handling the excavated soil and garbage generated when we carry out foundation works at construction sites. Specialised transportation companies are engaged to transport our Group's machinery between construction sites and workshops as heavy-duty vehicles are required.

The following table sets out the summary of cost of sales by segment during Track Record Period:

	FY2012 <i>HK\$'000</i>	FY2013 <i>HK\$'000</i>	FY2014 <i>HK\$'000</i>
Foundation	63,966	21,679	59,193
Civil engineering	105,619	94,132	62,672
General building	<u>1,434</u>	<u>77,707</u>	<u>255,987</u>
	<u><u>171,019</u></u>	<u><u>193,518</u></u>	<u><u>377,852</u></u>

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

	FY2012 <i>HK\$'000</i>	FY2013 <i>HK\$'000</i>	FY2014 <i>HK\$'000</i>
Sub-contracting charges	151,974	151,896	328,792
Direct materials	6,632	21,586	25,372
<i>Concrete and cement</i>	—	8,022	6,919
<i>Steel bar and other metal materials</i>	5,830	13,156	15,924
<i>Others</i>	802	408	2,529
Direct salaries and wages	7,593	8,703	13,378
Others	<u>4,820</u>	<u>11,333</u>	<u>10,310</u>
	<u><u>171,019</u></u>	<u><u>193,518</u></u>	<u><u>377,852</u></u>

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The following table sets out the sub-contracting charges of each sub-contractor during the Track Record Period:

	FY2012	FY2013	FY2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sub-contractor B	168	35,856	82,104
Sub-contractor A	100,293	91,715	53,049
Sub-contractor D	—	—	50,564
Sub-contractor C	—	1,155	40,601
Sub-contractor E	—	2,777	38,643
Sub-contractor F	8,804	17,543	2,337
Sub-contractor G	23,761	—	—
Sub-contractor H	11,727	—	—
Sub-contractor I	3,432	—	—
Others	<u>3,789</u>	<u>2,850</u>	<u>61,494</u>
	<u>151,974</u>	<u>151,896</u>	<u>328,792</u>

Note:

1. During the Track Record Period and up to November 2013, Mr. Lee Siu Lam, Anderson, who was (and still is) a director of both NC Foundation and NC Engineering, was an indirect substantial shareholder of Sub-contractor A. Accordingly, Sub-contractor A was a connected person of our Company (assuming our Group was subject to the Listing Rules' requirements at that time).

The amount of each element of cost of sales and the composition of cost of sales depend on various factors. The amount of construction materials costs depends on the volume and price of materials used in the relevant construction projects. The amount of sub-contracting charges depends on the volume of construction works that we outsourced to our sub-contractors. Staff costs are primarily related to the number of direct workers of our Group. Other elements of cost of sales mainly include site insurance, Government levy and charges, provident fund contributions, and site office expenses.

Under normal circumstances, due to limited space for inventory storage at the construction sites, our Group generally does not keep excess inventory. To ensure the construction materials will be supplied to each of our construction sites in a timely manner to facilitate project implementation, construction materials will be delivered quite frequently throughout the project duration. Most of the construction materials are delivered by our suppliers directly to our construction sites for immediate consumption. The amount and timing of construction materials to be ordered is assessed and controlled by the project manager of our project management team on a project-by-project basis depending on the progress of works and specific requirements of each project. During the project period, our project manager will monitor the materials consumption level and place orders with suppliers to replenish major or costly construction materials being used up shortly to ensure the progress would not be interrupted. As our Group would not keep excess inventory, our Directors are of the view that the value of construction materials remained at our construction sites at the end of each of the reporting periods were

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insignificant to our Group. The receipts of major construction materials are recorded based on the delivery notes signed by our authorised staff. Under our Group's financial reporting system, our accountant will record the amounts of construction materials as trade payables upon receipts of construction materials and the same amounts will be recognised as cost of sales simultaneously.

We did not record inventory at the end of each financial year mainly because (i) our Group generally did not keep excess inventory of construction materials due to limited storage space at our construction sites; and (ii) the construction materials were delivered by our suppliers directly to our construction sites (or, for some sundry materials, purchased by our staff or sub-contractors) for immediate consumption. Our Directors consider that the amounts of construction materials remained at our construction sites as at 31 March 2012, 2013 and 2014 were insignificant to our Group. Accordingly, the costs of construction materials were accounted for as an expense and included in cost of sales in the combined statements of profit or loss and other comprehensive income of our Group for FY2012, FY2013 and FY2014.

Under our Group's financial reporting system, revenue recognition on a project is based on management's estimation of the total outcome of the construction contracts, with reference to the proportion that contract costs incurred for works performed to date to the estimated total costs for the contracts. Estimated construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers and vendors involved and the estimation made by the management. In order to keep the estimation on total construction costs accurate and up-to-date, our management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

To ensure the financial reporting system operates in accordance with the accounting policies adopted by our Group, all accounting entries for preparing our Group's monthly management accounts are handled by accountants based on relevant supporting documents (including but not limited to payment certificate and survey certificate). Application for interim payment and certificates of stage of completion from our customers will be reviewed by relevant contract manager of each project before being submitted to our Directors for further review and approval.

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Other income and net gains

Other income mainly includes machinery rental income, management fee income and sales of materials and gain on disposal of fixed assets. The following table sets out the summary of other income and net gains during the Track Record Period:

	FY2012	FY2013	FY2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Machine rental income	789	168	10,673
Management fee income	5,676	4,542	431
Sales of material	1,729	320	32
Gain on disposal	929	—	—
Others	<u>219</u>	<u>1,012</u>	<u>19</u>
	<u>9,342</u>	<u>6,042</u>	<u>11,155</u>

Machine rental income

Operating lease rental income is recognised on a straight line basis over the term of the lease. During the Track Record Period, our Group leased unutilised machinery to independent third parties, Sumiya Holdings (brief details of which are set out in the following paragraph) and NC Construction, a company then solely-owned by Mr. Chu.

During FY2013, our Group leased certain motor vehicle to Sumiya Holdings, a company wholly-owned by Mr. Kwan for carrying out the Lanon Project, please refer to the paragraph headed “History and corporate structure — Lanon Development Limited (“Lanon”) and Sumiya Holdings Limited (“Sumiya Holdings”)” in this prospectus for details regarding the Lanon Project. The rental income recorded for the above mentioned motor vehicle amounted to HK\$0.14 million.

During FY2014, our Group’s machine rental income increased substantially by HK\$10.5 million as compared to that in FY2013. The increase was mainly attributable to four machine rental agreements entered into by our Group with NC Construction and three Independent Third Parties (including our sub-contractors) respectively during such period, which generated rental income of approximately HK\$6.5 million and HK\$4.0 million respectively.

Leasing of machines to NC Construction

In FY2014, our Directors were approached by an Independent Third Party customer to carry out a site formation project. The project was undertaken by NC Construction (instead of a member of our Group) because that relevant customer specifically requested a Macau company to be the signing party to the contract. Our Group thus leased certain excavation equipment (including but not limited to backhoe, compaction rollers and dozer, which our Group previously had been planned to mobilise to carry out site formation projects) to NC Construction for it to carry out the project. According to our Directors, the rental charge was determined on arm’s length basis and was in line with the rental charge on other

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Independent Third Parties. The Sole Sponsor has reviewed the rental agreement entered into between NC Construction and our Group and compared the terms with rental agreements entered into between our Group and Independent Third Parties. The Sole Sponsor noted that the rental charge under the rental agreement entered into between NC Construction was in line with the rental charge between our Group and Independent Third Parties.

Subsequent to the completion of the Macau site formation project by NC Construction in FY2014, Mr. Chu decided to consolidate all of his construction business to NC Foundation and NC Engineering and wound-up NC Construction (which winding-up was effected on 31 March 2014). All Macau construction business will be carried out under NC Foundation or NC Engineering or a new member of the Group in the future.

During the Track Record Period, save for the rental arrangement with NC Construction and Sumiya Holdings, our Group did not lease any of our machinery to any related parties.

Our Controlling Shareholders have also entered into Deed of Non-competition with our Company and have undertaken in favour of our Company to cease to engage in businesses which may compete (whether directly or indirectly) with our Group's construction business.

Leasing of machines to Independent Third Parties

During FY2013 and FY2014, our Group acquired additional piling equipment. Occasionally in FY2014, some of our Group's surplus piling equipment (including oscillator, piling rigs, air compressor, crawler crane and reverse circulation drill) were unutilised in our projects and thus our Group leased them to Independent Third Parties (including our sub-contractors) for rental periods ranging from two to nine months. As a result, we recognised rental income of approximately HK\$4.0 million from the leases.

Rental income in FY2014 which amounted to HK\$4.0 million in relation to the rental of machine equipment to Independent Third Parties was mainly attributable to the leasing out of a set of bored piling equipment.

This set of bored piling equipment (including reverse circulation drill and oscillator) were acquired in January and July 2013 respectively. After completion of assembling, and passing of the relevant governmental testing and commissioning, the set of bored piling equipment was ready in use in the second half of 2013. The first project carried out by the bored piling equipment was the Macau Project which was awarded to our Group in June 2013 and commenced in August 2013. To maximise the utilisation of the reverse circulation drill, prior to the commencement of the Macau Project, our Group leased out the reverse circulation drill to an Independent Third Party for three months and recorded a rental income of HK\$1.0 million. Between the completion of the Macau Project in November 2013 and the commencement of the Tseung Kwan O Composite Project in June 2014, our Group leased this set of bored piling equipment to an Independent Third Party customer for three months and generated a rental income of HK\$2.1 million.

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As mentioned in the section headed “Industry overview” in this prospectus, driven by the demand for both private and public residential buildings and commercial buildings, the foundation segment of the construction industry in Hong Kong will continue to grow. In view of such, our Directors consider that the demand for piling equipment will also continue to increase. Subsequent to FY2014, our Group was awarded seven new foundation projects and the aggregate estimated contract sum is approximately HK\$601.5 million. Owing to these new contracts, our Group does not intend to actively pursue machine rental activities and will retain the abovementioned bored piling equipment for our Group’s own use. Our Group will only lease out our machines when they are unutilised in our projects. As at the Latest Practicable Date, our bored piling equipment were used to carry out the bored piling works of Tseung Kwan O Composite Project until October 2014 and will be used to carry out the bored piling works of Des Voeux Road West Project commencing from November 2014 until the end of FY2015.

Management fee income

Our Group provides certain management service on an ad-hoc and upon request basis to certain Independent Third Parties and related parties of Mr. Kwan which mainly includes the following:

Sumiya Holdings

Mr. Kwan, before re-joining our Group as senior management in 2010, was involved in the Lanon Project. As mutually agreed between Mr. Kwan and Mr. Chu, Mr. Kwan was allowed to complete such construction project, while carrying out his duty in our Group. In such connection, Mr. Kwan from time to time will seek management service from our Group. The management fee from provision of the management service was determined at cost. Management fee income from Sumiya Holdings amounted to HK\$1.7 million, HK\$4.1 million and Nil respectively during the Track Record Period. For details of relationship between Sumiya Holdings and our Group, please refer to paragraph headed “History and corporate structure — Lanon Development Limited (“Lanon”) and Sumiya Holdings Limited (“Sumiya Holdings”)” in this prospectus.

Sales of materials

Steel materials (including but not limited to reinforcement steel bars and steel plates) will be purchased from our suppliers in the course of carrying out our Group’s construction projects. Upon completion of projects, if our Group was left with remaining steel materials, our Group would sell such unused materials to certain main contractors and sub-contractors whom we are acquainted with. In addition, during the process of carrying out excavation works, scrap steel materials would be excavated from the construction sites and our Group would sell such scrap steel materials to scrap dealers.

Income from sales of materials are recognised when goods are delivered and the buyers assume the risk and rewards of ownership.

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Administrative expenses

The following table sets out administrative expenses by nature during the Track Record Period:

	FY2012 <i>HK\$'000</i>	FY2013 <i>HK\$'000</i>	FY2014 <i>HK\$'000</i>
Building management fee	65	123	159
Staff cost (not including directors' emoluments)	1,733	2,429	6,526
Directors' emoluments	594	896	1,480
Operating lease rental on premises	270	487	828
Provision for long service payment	—	548	(34)
Other expenses	<u>86</u>	<u>96</u>	<u>249</u>
	<u><u>2,748</u></u>	<u><u>4,579</u></u>	<u><u>9,208</u></u>

Administrative expenses mainly include staff cost and respective provision on long service payment, directors' emoluments, operating lease rental and building management fee on leases entered into by our Group in respect of the office units rented by our Group during the Track Record Period.

Other operating expenses

The following table sets out other operating expenses by nature during the Track Record Period:

	FY2012 <i>HK\$'000</i>	FY2013 <i>HK\$'000</i>	FY2014 <i>HK\$'000</i>
Auditor's remuneration	162	160	500
Depreciation	1,308	2,408	4,566
Travelling	300	561	1,237
Insurance	32	33	18
Loss on disposal of property, plant and equipment	—	7	2,468
Listing expenses	—	—	4,516
Salaries and wages	5,182	4,796	1,185
Provident fund contributions	17	194	52
Rental charge for machinery	32	166	3,219
Consulting fee	1,010	932	3,801
Other expenses	<u>2,409</u>	<u>1,568</u>	<u>4,277</u>
	<u><u>10,452</u></u>	<u><u>10,825</u></u>	<u><u>25,839</u></u>

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Salary and wages

Included in the other operating expenses for FY2012 and FY2013 were salary and wages of management staff who provided management service to Sumiya Holdings as well as staff costs in relation to staff recruited on behalf of Sumiya Holdings in completing the Lanon Project. The fluctuation of salary and wages is in line with the provision of management service by our Group during the Track Record Period.

Consultancy fee

Consultancy fee mainly represents tender design, quality, safety, environment and technical advisory consultancy fee paid to Independent Third Parties' engineering consultants in obtaining their professional advice.

During the Track Record Period, the Group also paid a consultancy fee amounted to HK\$0.6 million, HK\$0.5 million and HK\$0.5 million respectively to K.S. So & Associates, a related company of one of our executive Directors, Mr. So Kin Shing, in respect of obtaining technical advisory service regarding certain small scale renovation projects carried out by our Group during the Track Record Period. Our Directors confirm that small scale renovation projects were taken up by our Group only upon request of certain customers. As our Group employed additional senior management staff in FY2014, our Directors considered that should our Group carry out small scale renovation projects in the future, it will not be necessary for our Group to seek outside consultancy services.

Depreciation

Depreciation mainly represents depreciation on our Group's plant and machinery. The increasing trend on depreciation was in line with our Group's acquisition of plant and machinery during the Track Record Period.

Other expenses

Other expenses included in other operating expenses mainly include (i) legal and professional fee in respect of annual ISO audit, company secretarial and tax filing service obtained by our Group; and (ii) maintenance fee for machinery and motor vehicle running expenses.

Finance costs

Finance costs represent interest expenses on overdrafts and hire purchase interests incurred during the Track Record Period. Our Group purchased machines from suppliers and entered into hire purchase arrangement with financial institutions with lease terms of two to four years. Interest on finance leases ranged from 3% to 3.25% per annum.

Interest on overdrafts were determined by reference to prime rate.

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Income tax

Our Group's revenue during the Track Record Period was mainly derived in Hong Kong and a relatively small portion in Macau, and our Group was subject to profits tax in Hong Kong and Macau.

Our Company and its subsidiaries are incorporated in different jurisdictions, with different taxation requirements summarised as follows:

The Cayman Islands and the BVI

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and BVI, our Group is not subject to any profits tax in the Cayman Islands and BVI.

Hong Kong

All our Hong Kong subsidiaries were subject to Hong Kong profit tax at 16.5% during the Track Record Period.

Macau

All our Macau's operations were subject to Macau profit tax up to the maximum of 12% during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2014 compared to FY2013

Revenue

Our Group's revenue for FY2014 increased by approximately 100.9% (or approximately HK\$232.6 million) to approximately HK\$463.0 million for FY2014 as compared to FY2013. The surge in revenue was mainly contributed by the increase in revenue generated from general building works during the year. During FY2014, the general building works increased substantially as the major part of the general building works for the Un Chau Street Building Project was substantially carried out during the year. The Un Chau Street Building Project contributed revenue from general building works of approximately HK\$309 million to our Group. For FY2013, the Group only recorded a revenue on general building works from Un Chau Street Building Project of approximately HK\$98 million.

Cost of sales

In line with our Group's increase in revenue, our Group's cost of sales also surged by 95.3% (or approximately HK\$184.4 million) from approximately HK\$193.5 million for FY2013 to approximately HK\$377.9 million for FY2014. The increase in cost of sales was mainly due to the increase in sub-contracting charges to sub-contractors involved in the Un Chau Street Building Project. Sub-contracting charges for Un Chau Street Building Project increased by approximately HK\$177.3 million from approximately HK\$47.5 million to

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approximately HK\$224.8 million. The increase in cost of sales was in line with the increase in revenue of our Group during FY2014 as a result of our carrying out of construction works of Un Chau Street Building Project.

Gross profit

The following table sets out gross profit and gross profit margin by nature of services:

	FY2013		FY2014	
	Gross profit <i>HK\$'000</i>	Gross profit margin	Gross profit <i>HK\$'000</i>	Gross profit margin
Foundation	12,478	36.5%	22,752	27.7%
Civil engineering	3,970	4.0%	2,478	3.8%
General building	<u>20,459</u>	<u>20.8%</u>	<u>59,939</u>	<u>19.0%</u>
	<u><u>36,907</u></u>		<u><u>85,169</u></u>	

Foundation

Our Group's foundation segment recorded an increase in gross profit by approximately 82.4% (or approximately HK\$10.3 million) from approximately HK\$12.5 million to approximately HK\$22.8 million. Such increase was mainly attributable to increase in the number of foundation projects carried out during the year. During FY2014, our Group carried out 12 foundation projects as compared to four foundation projects carried out during FY2013.

Despite an increase in gross profit, our gross profit margin decreased to approximately 27.7%. The relatively high gross profit margin recorded in FY2013 was mainly contributed by the substantial completion of the foundation works of the Un Chau Street Projects during FY2013. According to our Directors, the Un Chau Street Projects' foundation works is part of an urban revitalisation project involving the carrying out of foundation works in high population density residential area. It involves certain degree of complexity as such that the carrying out of the foundation works will not endanger or affect the structure of the buildings surrounding the Un Chau Street Projects' construction site. Due to such complexity, our Group marked up a relative higher profit margin when coming up with the tendering price which resulted in a relatively higher profit margin for foundation works segment for FY2013.

Civil engineering

Our customers in the civil engineering segment are mostly Government departments including but not limited to CEDD. Civil engineering works carried out during the Track Record Period were mostly LPM awarded by the Government departments. Governmental projects are awarded by way of public tendering and normally the bid in the lower end would be awarded with the contract. Accordingly, profit margin for our Group's civil engineering works is normally lower as compared to general building works and foundation

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works. Despite a lower profit margin, our Directors are of the view that civil engineering works such as LPM in Hong Kong have to be carried out on an on-going basis and would provide a steady and constant contribution to our Group, which our Directors consider appropriate to devote manpower to tender for and carry out such projects.

Gross profit of our Group derived from civil engineering segment decreased by approximately 37.5% (or approximately HK\$1.5 million) from approximately HK\$4.0 million for FY2013 to approximately HK\$2.5 million for FY2014. The decrease in gross profit was in line with the decrease in revenue contributed by civil engineering, due to the decrease in the volume of civil engineering works carried out during the year.

Gross profit margin on civil engineering segment for FY2014 remained at similar level as compared to the gross profit margin for FY2013.

General building

Gross profit from general building works of our Group increased substantially by approximately 193% (or approximately HK\$39.5 million) from HK\$20.5 million to HK\$60.0 million, and the increase was attributable to the building works of the Un Chau Street Project.

Despite the substantial increase in the gross profit from general building works, gross profit margin recorded a slight decrease. The relatively high gross profit margin recorded in FY2013 was mainly contributed by the substantial completion of the basement of Un Chau Street Projects. Instead of going through the tendering process, the entering into of the supplemental agreement (regarding the construction of the basement of the Un Chau Street Foundation and Basement Project) was negotiated between our Group and such customer, in which our Group was able to conclude a contract price on the basement construction with a relatively higher mark-up. Hence the gross profit margin for FY2013 was relatively higher than FY2014.

Overall profit margin of the Un Chau Street Building Project

Our Directors believe that the relatively high profit margin of the Un Chau Street Building Project as compared to the industry average was due to the following reasons:

- (i) According to our Directors, as our Group completed the Un Chau Street Foundation and Basement Project ahead of schedule, we considered that our bargaining power in tendering for the Un Chau Street Building Project was on time-saving advantage rather than price adjustment. In view of such, when tendering for the Un Chau Street Building Project, our Group offered a programme with construction period with one month less than the tender requirement, while maintaining a higher mark-up. More specifically, the tentative construction period of the Un Chau Street Building Projects (general building portion) was scheduled to be 408 days. According to the documents submitted by our Group, our Group offered to the customer that the general building construction would be completed within 379 days (i.e. one month ahead of schedule). It is our Directors' belief that the customer, in view of our previous

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track record of early completion of projects, considered that it was likely for us to complete the project according to our submitted schedule. Our customer, (i) in view of the one-month time saving of construction period offered by our Group; and (ii) took into consideration the time saving for site handover (which, according to the IPSOS Report, normally takes one to two months' time before the new contractor can commence work, which in aggregate represent a time saving of 13% for the general building project), was willing to pay a higher price; and

- (ii) the project by its urban revitalisation nature involved the carrying out of construction works in a high population density residential area. For such reason, the Group prepared its quotation with a higher mark-up, to cater for cost estimates for any unexpected incidents (for example, the complaint about traffic congestion and blockage of pedestrian ways, unexpected settlement of surrounding buildings, and damages of structures of surrounding buildings) which would result in delay in construction or claims to our Group. During the construction period, according to our Directors, the project management team worked closely with the residents of surrounding residential properties and also with members of the local council to ensure a smooth execution of the project. No material unexpected incident occurred and as such the additional mark-up was realised as a higher profit margin. Our Directors are of the view that by providing integrated construction services from foundation works to general building works, the Group was able to shorten the total time required to complete the entire project through the time-saving on tendering and site handover. As a result, our Group was able to charge a relatively high margin for this project.

Other income and net gains

Other income and net gains increased by approximately 86.7% from approximately HK\$6.0 million for FY2013 to approximately HK\$11.2 million for FY2014. Such increase was mainly attributable to the increase in machine rental income. During FY2014, our Group leased some large diameter bored-pile equipment to certain related party and also to Independent Third Parties to carry out site formation works in Macau while the machinery was not in use by our Group. This generated approximately HK\$10.7 million income to our Group. Such additional rental income was offset by the decrease in management fee income recorded by our Group by approximately HK\$4.1 million during FY2014, as less management service was required by the related party to be provided by our Group, as the project which required management service was substantially completed. Our Group will from time to time provide management services on an ad hoc basis and upon request to related companies and Independent Third Parties. For details of management services provided by our Group, please refer to paragraph headed "Management fee income" above in this section.

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Administrative expenses

Administrative expenses of our Group increased by approximately 100% (or approximately HK\$4.6 million) from approximately HK\$4.6 million for FY2013 to approximately HK\$9.2 million for FY2014.

The increase was mainly due to the increase in staff cost and directors emoluments of HK\$4.0 million during the year as a result of the increase in headcount (including senior management staff) and the related salary adjustment which was made by our Group annually.

The salary increment of our Group for FY2014 was around 7%, subject to the individual performance of each staff. Staff head counts increased from 61 as at 31 March 2013 to 73 as at 31 March 2014.

Other operating expenses

Other operating expense of our Group increased by approximately 138.7% (or approximately HK\$15.1 million) from approximately HK\$10.8 million for FY2013 to approximately HK\$25.9 million for FY2014. The increase was mainly contributed by (i) listing expenses incurred in connection with the initial public offering exercise carried out by our Group that commenced during FY2014, which amounted to approximately HK\$4.5 million; (ii) the increase in depreciation expense due to the additional acquisition of piling equipment during the year, which amounted to HK\$2 million; (iii) the increase in consultancy fee expense for obtaining (among other services) safety, environmental, technical pre-tendering design, post-tendering design related advice which amounted to HK\$2.9 million; (iv) the record of loss on disposal of property, plant and equipment of approximately HK\$2.4 million as a result of scraping of equipment; and (v) the increase in rental charge for machinery of approximately HK\$2.9 million for the rental of machinery for sub-leasing purposes.

Finance costs

Our Group finances its operation substantially through internal generated funds. Finance cost incurred for FY2014 was mainly attributable to hire purchase interests incurred during the year. The substantial increase in hire purchase interests was in line with the acquisition of additional plant and equipment during FY2014 financed by hire purchase.

Profit before taxation

As a result of the foregoing, our Group's profit before income tax for FY2014 increased by approximately 121.4% as compared to FY2013.

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Income tax expense

The effective tax rates for FY2014 was approximately 16.9%. The effective tax rate for FY2014 was slightly higher than the statutory profit tax rate of 16.5%, which was mainly due to non-deductible expenses in the sum of HK\$0.7 million incurred during the year.

Profit and total comprehensive income for the year attributable to equity holder of the Company

As a result of the foregoing, our Group's profit for FY2014 amounted to approximately HK\$50.6 million, representing an increase of approximately 120% from approximately HK\$23.0 million in FY2013.

FY2013 compared to FY2012

Revenue

Our Group's revenue for FY2013 increased by approximately 20.7% (or approximately HK\$39.6 million) to approximately HK\$230.4 million as compared to FY2012. The surge in revenue was mainly contributed by the increase in revenue generated from general building works during the year. During FY2013, the general building work increased as the Group commenced construction of the major part of the general building works for the Un Chau Street Projects. The Un Chau Street Projects contributed a revenue from general building works of approximately HK\$98 million to our Group in FY2013. For FY2012, the Group recorded a revenue on general building works from Un Chau Street Projects of approximately HK\$2.0 million only. Such increase in general building works was offset by the decrease in revenue from foundation works during the year as a result of the decrease in number of foundation works carried out by our Group. In FY2013 our Group carried out four foundation projects, while our Group carried out six foundation projects in FY2012.

Cost of sales

Our Group's cost of sales surged by approximately 13.2% (or approximately HK\$22.5 million) from approximately HK\$171.0 million for FY2012 to HK\$193.5 million for FY2013. The percentage increase in cost of sales was relatively less than the increase in revenue, as a result of the relatively high profit margin contributed by the construction of basement of the Un Chau Street Projects. The increase in cost of sales was mainly due to the increase in direct materials costs and site insurance cost incurred during the year. The direct materials costs increased by HK\$15.0 million (or approximately 225.5%) for FY2013 as compared with the previous year, which was mainly due to the increase in direct materials used in carrying out the building works of Un Chau Street Projects. The increase in site insurance (including third party insurance, employee compensation and contractors all risk insurance) also contributed to the increase in cost of sales by approximately HK\$4.9 million. By carrying out the general building works of Un Chau Street Projects, according to the sub-contract entered into between our Group and Sub-contractor B, site insurance

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policies shall be arranged by our Group. Due to the substantial amount of contract sum and scale of construction work, insurance expenses increased substantially by 328.0% from HK\$1.5 million for FY2012 to HK\$6.4 million for FY2013.

Gross profit

The following table sets out gross profit and gross profit margin by nature of services:

	FY2012		FY2013	
	Gross profit <i>HK\$'000</i>	Gross profit margin	Gross profit <i>HK\$'000</i>	Gross profit margin
Foundation	15,478	19.5%	12,479	36.5%
Civil engineering	3,127	2.9%	3,970	4.0%
General building	1,234	46.2%	20,458	20.8%
	19,839		36,907	

Foundation

Our Group's foundation segment recorded a decrease by approximately 19.4% (or approximately HK\$3 million) from approximately HK\$15.5 million to HK\$12.5 million. Such decrease was mainly contributed by focusing on the development of Un Chau Street Foundation and Basement Project for FY2013 of our Group. Due to the scale of Un Chau Street Foundation and Basement Project, our Group deployed substantial resources to develop the Un Chau Street Foundation and Basement Project. In view of such, certain foundation projects awarded to our Group during FY2013 was sub-contracted out to other independent sub-contractors. As a result, our Group recorded a decrease in gross profit for the foundation segment for FY2013.

Despite the decrease in gross profit from our Group's foundation business in FY2013, gross profit margin increased substantially from 19.5% to 36.5%. Such increase was mainly contributed by the foundation works of Un Chau Street Foundation and Basement Project for reasons explained in the previous paragraph, please refer to paragraph headed "FY2014 compared to FY2013 — Gross profit" in this section for further details.

Civil engineering

Gross profit contributed from civil engineering increased by approximately 27.0% (or approximately HK\$0.9 million) from HK\$3.1 million for FY2012 to HK\$4.0 million for FY2013. Such increase was mainly contributed by the increase in profit contribution from two projects namely Central Slopes Project and Wong Tai Sin Project for FY2013. Both projects were awarded to our Group in FY2012 and commenced works in December 2011 and February 2012 respectively. As certain preparation works have to be carried out in the early stages of the projects but without income receivable at such stage, profit contribution

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in the early stages of the projects would be relatively lower. In view of such, our Group recorded an increase in gross profit for both projects for FY2013 (i.e. the second year of the project) and also recorded an increase in gross profit margin in such respect.

General building

Our Group's general building segment recorded a substantial increase by approximately 1,608.3% (or approximately HK\$19.3 million) in gross profit from HK\$1.2 million to HK\$20.5 million for FY2013. Such increase was mainly contributed by contract revenue from the building works of the Un Chau Street Projects. The Un Chau Street Building Project has an estimated contract sum of approximately HK\$424.1 million and was scheduled to be completed in the third quarter of 2014, of which the progress billing of such project large scale project had contributed substantially to our Group's profit.

The decrease in gross profit margin was mainly attributable to the relatively low profit margin for Un Chau Street Building Project, as compared to the Tseng Choi Street Project which was completed by our Group in FY2012. Our Group carried out certain alterations and addition works for a church located in Tseng Choi Street, Tuen Mun. The scale of Tseng Choi Street Project was substantially smaller than the building works of the Un Chau Street Project. Due to the simplicity of alteration and addition works carried out, our Group recorded a gross profit margin substantially higher than the building works of the Un Chau Street Projects.

Other income and net gains

Other income and net gain decreased by approximately 35.3% (or approximately HK\$3.3 million), such decrease was mainly contributed by the decrease in sales of materials and management fee income. In FY2013, as less excavated materials were collected during our excavation works carried out during the year, our Group's sales of materials decreased by HK\$1.4 million for FY2013. Furthermore, our Group provides management services on an ad hoc basis and upon request. During FY2013, as less management service was required by Sumiya Holdings to be provided by our Group, management service fee decreased accordingly.

Administrative expenses

Administrative expenses of our Group increased by approximately 66.6% (or HK\$1.9 million) from approximately HK\$2.7 million for FY2012 to approximately HK\$4.6 million for FY2013.

The increase was mainly due to the increase in staff cost and directors emoluments of HK\$1.0 million during the year as a result of the salary adjustment review carry out by our Group annually. The salary increment of our Group for FY2013 ranged from 5% to 42% subject to the individual performance of each staff. The increase in staff cost and directors emoluments was also contributed by the increase in number of staff and director during the year. Staff head counts increased from 56 to 61 and during the year, which our Group also appointed one additional director in January 2013.

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The increase in administrative expense was also contributed by the provision of long service payments for FY2013 amounted to approximately HK\$0.5 million. Under the Employment Ordinance, our Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with our Group. The amount payable is dependent on the employees' final salary and years of services, and is reduced by entitlements accrued under the retirement schemes of our Group that are attributable to contributions made by our Group. As the provision amount is insignificant, no such provision was made previously.

Other operating expenses

Other operating expense of our Group for FY2013 remained comparable to FY2012.

Finance costs

Our Group finances its operation through internal generated funds, finance cost incurred for FY2013 was mainly contributed by hire purchase increase incurred during the year. While for FY2012, finance cost mainly represent short term bank overdraft regarding the utilisation of our Group overdraft credit facilities provided by financial institutions.

Profit before taxation

As a result of the foregoing, our Group's profit before income tax for FY2013 increased by approximately 72.4% as compared to FY2012.

Income tax expense

The effective tax rates for each of FY2012 and FY2013 were approximately 15.0% and 16.4% respectively. The effective tax rate for the two years ended 31 March 2013 was slightly lower than the statutory profit tax rate of 16.5%, which was mainly due to the utilisation of previously unrecognised tax losses and non-taxable income regarding the disposal of property, plant and equipment for FY2012 and tax reduction of HK\$24,000 for FY2013.

Profit and total comprehensive income for FY2013 attributable to equity holder of the Company

As a result of the foregoing, our Group's profit for FY2013 was amounted to HK\$23.0 million, representing a significant increase of approximately 69.6% from HK\$13.6 million in FY2012.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our Group historically met our working capital and other capital requirements principally from capital contributions from our Controlling Shareholders, external banking facilities and cash flow generated from our operating activities. Going forward, we believe that our liquidity requirements and source of funds will be satisfied by the above-mentioned sources (except for contributions from our Controlling Shareholders) and the net proceeds

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from the Share Offer and other funds raised from capital markets from time to time when necessary. Our primary uses of cash have been and are expected to continue to be operating costs and capital expenditure.

Our current assets primarily comprise cash and bank balances, trade and other receivables and amount due from Directors.

Our current liabilities primarily comprise trade payables, amount due to customers for contract works and obligations under finance lease.

Banking facilities

As at 31 March 2014, our Group had aggregate banking facilities of approximately HK\$12,000,000 at floating rate. The facility was secured by (i) corporate guarantees provided by a company wholly-owned by Mr. Chu, (ii) corporate guarantees provided by NC Engineering, (iii) charges/mortgages over properties owned by Mr. Chu and (iv) unlimited personal guarantee and indemnity from Mr. Chu. Our Group's banking facilities do not have material covenants. Such banking facilities have already been terminated by our Group as at the Latest Practicable Date.

Obligation under finance leases

The obligation under finance leases were secured by (i) corporate guarantees provided by a company wholly-owned by Mr. Chu, (ii) corporate guarantees provided by NC Engineering, (iii) charges/mortgages over properties owned by Mr. Chu and/or (iv) unlimited personal guarantee and indemnity from Mr. Chu (as the case maybe).

The corporate guarantees provided by a company wholly-owned by Mr. Chu, the corporate guarantees provided by NC Engineering and the unlimited personal guarantee and indemnity from Mr. Chu will be released, and will be replaced by a corporate guarantee to be given by our Company upon Listing. The charges/mortgages over properties owned by Mr. Chu were already released.

Based on the business and financial performance of our Group, our Directors are not aware of any circumstances where our ability to obtain external financing going forward may be affected.

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Cash flow

The following table presents selected cash flow data from our consolidated cash flow statements for the period indicated:

	For the year ended 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	49,483	17,434	54,178
Net cash used in investing activities	(26)	(39,036)	(37,522)
Net cash used in financing activities	(375)	(153)	(6,168)
Net increase/(decrease) in cash and cash equivalents	49,082	(21,755)	10,488
Cash and cash equivalents at the end of the year	46,368	24,613	35,101

Net cash generated from operating activities

Net cash generated from operating activities consisted primarily of our Group's profit for the year, adjusted by income tax paid and non-cash items, such as depreciation of property, plant and equipment and adjusted by changes in working capital, such as trade and other receivables, amounts due to/from related companies, trade and other payables and amounts due to customers for contract works.

Our Group recorded cash generated from operating activities of approximately HK\$49.5 million for FY2012. This net cash generated from operating activities is based on a profit before income tax of approximately HK\$16.0 million, adjusted mainly by (i) an increase in trade and other payable of approximately HK\$26.6 million; (ii) a decrease in amount due from/to related companies of approximately HK\$9.4 million; (iii) an increase in amounts due to customers for contract work of approximately HK\$5.2 million; (iv) an increase in trade and other receivables of approximately HK\$8.1 million; and (v) non-cash items, including depreciation of approximately HK\$1.3 million.

Cash generated from operating activities amounted to approximately HK\$17.4 million for FY2013. This net cash generated from operating activities is based on a profit before income tax of approximately HK\$27.5 million, adjusted mainly by (i) an increase trade and other receivable of approximately HK\$23.0 million; (ii) a decrease in amount due from/to related companies of approximately HK\$7.0 million; (iii) an increase in amounts due to customers for contract works of approximately HK\$6.3 million; and (iv) non-cash items, including depreciation of approximately HK\$2.4 million.

Cash generated from operating activities was amounted to approximately HK\$54.2 million for FY2014. This net cash generated from operating activities is based on a profit before income tax of approximately HK\$60.9 million, adjusted mainly by (i) an increase trade and other receivable of approximately HK\$26.8 million; (ii) a decrease in amount due

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from/to related companies of approximately HK\$3.2 million; (iii) an increase in trade and other payable of approximately HK\$16.2 million; and (iv) non-cash items, including depreciation of approximately HK\$4.6 million.

Net cash used in investing activities

For FY2012, our cash used in investing activities was amounted to approximately HK\$0.03 million, which was primarily attributable to (i) purchases of plant and equipment (including but not limited to piling rig and hydraulic hammer) of approximately HK\$3.3 million and (ii) proceeds from disposals of property, plant and equipment of approximately HK\$2.0 million.

Our cash used in investing activities was amounted to approximately HK\$39.0 million for FY2013, which was primarily attributable to the deposit payment for the purchase of property, plant and equipment (including but not limited to pile top rig and hydraulic power pack) and advance to Directors (namely Mr. Chu and Mr. Kwan during the FY2013).

For FY2014, our cash used in investing activities was amounted to approximately HK\$37.5 million, which was primarily attributable to (i) the deposit payment for the purchases of property, plant and equipment (including but not limited to oscillator, hydraulic excavator and hydraulic power pack) of approximately HK\$14.2 million, (ii) proceeds from disposals of property, plant and equipment of approximately HK\$0.3 million and (iii) advance to Directors of approximately HK\$23.6 million.

Net cash generated used in financing activities

Our cash generated used in financing activities was amounted to approximately HK\$0.4 million for FY2012, which was primarily attributable to repayment of obligation under finance lease by our Group amounted to approximately HK\$0.4 million during the year.

For FY2013, our cash used in financing activities was amounted to approximately HK\$0.2 million, which was primarily attributable to repayments of obligation under finance lease by our Group amounted to approximately HK\$0.2 million.

For FY2014, our cash used in from financing activities was amounted to approximately HK\$6.2 million, which was primarily attributable to (i) the increase in pledged bank deposits of HK\$3.1 million for securing of the performance bond regarding the carrying out of the Kap Pin Long Project; and (ii) the repayment of obligation under finance lease of approximately HK\$3.1 million.

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NET CURRENT ASSETS

Details of our Group's current assets and current liabilities as at 31 March 2012, 2013 and 2014 and as at 31 July 2014 (being the Latest Practicable Date for the purpose of indebtedness statement) are as follows:

	As at 31 March			As at
	2012	2013	2014	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<i>Current assets</i>				
Trade and other receivables	19,311	42,265	69,084	109,329
Amounts due from customer for contract works	—	—	3,081	3,081
Amounts due from Directors	21,450	47,167	18,310	18,310
Amounts due from related companies	10,262	3,252	—	—
Pledged bank deposits	—	—	3,055	13,074
Cash and bank balances	<u>46,368</u>	<u>24,613</u>	<u>35,102</u>	<u>32,458</u>
	<u>97,391</u>	<u>117,297</u>	<u>128,632</u>	<u>176,252</u>
<i>Current liabilities</i>				
Trade and other payables	40,448	41,313	57,557	105,386
Amounts due to customers for contract works	4,748	11,000	14,661	11,092
Amount due to a related company	130	70	—	—
Obligations under finance leases	—	1,853	5,080	8,455
Provision for taxation	<u>1,846</u>	<u>2,596</u>	<u>4,342</u>	<u>6,915</u>
	<u>47,172</u>	<u>56,832</u>	<u>81,640</u>	<u>131,848</u>
<i>Net current assets</i>	<u>50,219</u>	<u>60,465</u>	<u>46,992</u>	<u>44,404</u>

As at 31 March 2013, our Group had net current assets of approximately HK\$60.5 million representing an increase of approximately HK\$10.2 million as compared to the net current assets as at 31 March 2012. Such increase was mainly attributable to (i) the increase in trade and other receivables of approximately HK\$23.0 million, which is in line with the increase in revenue during the year; (ii) the increase in amount due from Director offset by the decrease in cash and bank balances and decrease in amount due from related companies in aggregated amounted to a decrease of approximately HK\$3 million; (iii) an increase in amount due to customers for contract works amounted to approximately HK\$6.3 million, also as a result from the increase in construction work carried out by the Group for

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FY2013; and (iv) the increase in obligations under finance lease amounted to approximately HK\$1.9 million due to the acquisition of plant and machinery for our Group's foundation business.

As at 31 March 2014, our Group had net current assets of approximately HK\$47.0 million representing an decrease of approximately HK\$13.5 million as compared to the net current assets as at 31 March 2013. Such decrease was mainly attributable to (i) the increase in trade and other receivables of approximately HK\$26.8 million contributed by the increase in progress billing in the financial quarter of the financial year as a result in increase in amount of construction work carried out by our Group during the year; (ii) the decrease in amount due from Directors of approximately HK\$28.9 million; (iii) the increase in cash and bank balance of approximately HK\$10.5 million; and offset by (iv) the increase in trade and other payables of approximately HK\$16.2 million; (v) the increase in obligation under finance lease of approximately HK\$3.2 million; and (vi) the increase in amount due to customers for contract work of approximately HK\$3.7 million.

As at 31 July 2014, our Group had net current assets of approximately HK\$44.4 million representing a decrease of approximately HK\$2.6 million as compared to the net current assets as at 31 March 2014. Such decrease was mainly attributable to (i) the increase in trade and other receivables of HK\$40.2 million which was mainly attributable to the progress billing of Wan Chai Road Project, Kap Pin Long Project, Yuen Long Project, Tsing Yi Project and Tseung Kwan O Project; (ii) the increase in pledged bank deposits of HK\$10.0 million; (iii) the decrease in cash and bank balances of HK\$2.6 million; offset by (iv) the increase in trade and other payables of HK\$47.8 million which was inline with the increase in trade and other receivables; (v) the decrease in amounts due to customers for contract works of HK\$3.6 million; (vi) the increase in obligation under finance leases of HK\$3.4 million; and (vii) the increase in provision for taxation of HK\$2.6 million.

ANALYSIS OF CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Property, plant and equipment of our Group represent plant and machinery, furniture and office equipment and motor vehicles. Set out below is the net book value of each type of property, plant and equipment of our Group as at 31 March 2012, 2013 and 2014:

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Net book value</i>			
Plant and machinery	6,141	14,160	32,496
Furniture and office equipment	125	552	517
Motor vehicles	<u>1,732</u>	<u>1,426</u>	<u>875</u>
	<u>7,998</u>	<u>16,138</u>	<u>33,888</u>

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Our Group's property, plant and equipment mostly consist of plant and machinery. Most of our foundation and civil engineering works require the use of plant and machinery, such as oscillator, hydraulic excavator, crawler crane, piler, generator and air compressors.

The increase in carrying amount of property, plant and equipment balance as at 31 March 2013 and 2014 was mainly contributed by the acquisition of additional plant and equipment including reverse circulation drill, oscillator and hydraulic excavator, which amounted to HK\$9.9 million and HK\$24.8 million respectively during the year for our Group's foundation works. Our Group would from time to time acquire additional piling equipment to enhance our Group's execution capacity.

Our Group acquired certain plant and machinery through finance lease. The net carrying value of plant and machinery amounted to nil, HK\$8.7 million and HK\$20.9 million were held under finance lease as at 31 March 2012, 2013 and 2014 respectively.

Trade and other receivables

The following table sets forth a breakdown of our Group's trade and other receivables as at 31 March 2012, 2013 and 2014:

		As at 31 March		
		2012	2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<i>(i)</i>	18,118	41,091	67,189
Other receivables, deposit and prepayments	<i>(ii)</i>	1,193	1,174	1,895
		19,311	42,265	69,084
<i>(i) Trade receivables</i>				

Our Group's trade and other receivables mainly consist of contract receivables and retention receivables. We normally receive progress payment from customers on a monthly basis with reference to the value of works done that month. A progress certificate certifying the works progress is issued by authorised persons (such as the architects or quantity surveyors employed by our customers). Upon issuance of such certificates which normally takes about 30 days from the monthly cut-off day of each period for respective projects, the progress revenue is billed to customers and then become payable by respective customers and the progress revenue is accounted for as contract receivables. Generally, payment from customers is due 0 to 30 days after the issue of the invoice.

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Retention receivables represent the retention money held up by our customers for construction projects. The retention money for each project ranged from 1% to 10% of the monthly payment. Generally, the first half of the retention money is released upon the issue of certificate of completion of the project and the second half of the retention money is released to us upon the issue of certificate of completion of making good defect after the expiry of the defect liability period. The defect liability period of our Group's projects was usually 12 months during the Track Record Period. The following table sets forth a breakdown of our Group's trade receivables as at 31 March 2012, 2013 and 2014:

		As at 31 March		
		2012	2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract receivables	<i>(a)</i>	6,336	27,887	38,015
Retention receivables	<i>(b)</i>	<u>11,782</u>	<u>13,204</u>	<u>29,174</u>
		<u><u>18,118</u></u>	<u><u>41,091</u></u>	<u><u>67,189</u></u>

The following table sets forth the turnover days of trade receivables (calculated as the average of beginning and ending total trade receivable balances for the period divided by revenue for the period, multiplied by the number of days in the period) for the Track Record Period:

		As at 31 March		
		2012	2013	2014
Trade receivable turnover days		<u>27.3</u>	<u>46.9</u>	<u>42.7</u>

As at 31 March 2013, trade receivable turnover days increased to 46.9 days as compared to 27.3 days as at 31 March 2012. The increase in trade receivable turnover days was mainly due to the substantial receivable balance amounted HK\$21.4 million as a result of the progress billing of the building and foundation works of Un Chau Street Projects which remained outstanding as at 31 March 2013. Trade receivable turnover days slightly improved to 42.7 days as at 31 March 2014.

During the Track Record Period, credit period granted to our Group's customers generally within 30 days from invoice date or the date of issue of progress certificate. Our trade receivable turnover days during the Track Record Period were relatively higher than the credit period granted to our customers in general, as the calculation of trade receivable turnover days includes retention receivable. As retention receivables pursuant to the relevant contracts would only be released upon the issue of certificate of completion of the project and upon the issue of certificate of completion of making good defect after the expiry of the defect liability period, which is of a longer period as compared to the credit period granted to our Group's customer, such that the trade receivable turnover days should naturally be higher than the normal credit period.

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(a) *Contract receivables*

The increase in trade receivables as at 31 March 2013 of HK\$23.0 million as compared to 31 March 2012 was mainly due to the increase in construction work undertaken by our Group during the year. As a result of substantial construction work carried out for the Un Chau Street Projects towards the end of FY2013 and the logistic for progress billing and payment was yet to be made until the following financial year, our Group recorded a contract receivable of HK\$21.4 million in this respect, while contract receivable regarding the Un Chau Street Projects were only amounted to HK\$5.5 million in at the end of FY2012.

As at 31 March 2014, our Group's contract receivable balance increased by HK\$10.1 million to HK\$38.0 million, such increase was in line with the increase in construction works carried out during FY2014.

The aging analysis of contract receivables based on invoice date as of the end of each of the reporting dates is as follows:

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	40	17,705	18,815
31–60 days	2,308	9,805	19,200
61–90 days	430	—	—
Over 90 day	<u>3,558</u>	<u>377</u>	<u>—</u>
	<u><u>6,336</u></u>	<u><u>27,887</u></u>	<u><u>38,015</u></u>

A credit period of 30 days was granted by us from the date of invoice to our customers.

Invoice may only be issued upon obtaining the certification of progress which normally takes 30 days from the cut-off day of each period to compile. As a result normally there is a time lag of approximately 30 days between the invoice date and the date of certification of progress. For such reasons, though the number of trade receivable turnover days was more than 30, our Group's trade receivable turnover days were still within the credit period granted by our customers. Our Group did not record any bad debt during the Track Record Period.

All contract receivables as at 31 March 2014 were subsequently settled up to 100%, while the balances of the retention receivables as at 31 March 2014 remained unsettled up to the Latest Practicable Date.

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(b) Retention receivables

The increasing trend in retention receivables were contributed by the increase in construction works carried out and projects completed by our Group during the Track Record Period. As a result, the amount of retention receivables to be retained by customer exceeded the amount of retention moneys released in each respective period.

No retention receivables were past due as at 31 March 2012, 2013 and 2014, as such no aging analysis was performed.

(ii) Other receivables, deposit and prepayments

Our other receivables, deposits and prepayments mainly represent trade-related prepayments and deposits, utility deposits and prepayments of listing expenses. The balance of other receivables, deposits and prepayments remained at comparable level as at 31 March 2013 as compared to the balance as at 31 March 2012. As at 31 March 2014, other receivables, deposit and prepayment balance increased by HK\$0.7 million, such increase was attributable to the listing expenses recorded as other receivable which will be capitalised upon Listing.

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Amount due from directors/loan from directors/amount due from/to related companies

Set out below are the balances related to directors and related companies of our Group for the Track Record Period:

		As at 31 March		
		2012	2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Amount due from directors</i>				
Mr. Chu		20,942	47,167	18,310
Mr. Kwan		508	—	—
 <i>Amount due from related companies</i>				
New Concepts Builders Limited		6,962	—	—
Sumiya Holdings Limited		1,847	3,252	—
Man Wah New Concept Equipment Limited		1,444	—	—
Sinoway Overseas Limited		<u>10</u>	<u>—</u>	<u>—</u>
	(i)	<u>31,713</u>	<u>50,419</u>	<u>18,310</u>
 <i>Amount due to a related company</i>				
K.S. So & Associates Limited	(ii)	<u>130</u>	<u>70</u>	<u>—</u>
 <i>Loan from a director</i>				
Mr. Chu	(iii)	<u>18,310</u>	<u>18,310</u>	<u>18,310</u>

(i) Amount due from Directors and related companies

Amount due from Directors represents advance to Directors for their respective private use. The amounts due are unsecured, interest-free and payable on demand. The increase in amount due from Directors balance as at 31 March 2013 was mainly due to the additional advance made to Mr. Chu during the year.

As at 31 March 2013, all amount due from related companies of Mr. Chu were assigned to Mr. Chu, as a result the amount due from Mr. Chu increased substantially as compared to the balance as at 31 March 2012.

The amount due from Mr. Kwan has been fully settled as at 31 March 2013.

For details of the settlement of the amount due from Mr. Chu, please refer to the below paragraph headed “Loan from a Director”.

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Amount due from related parties represents management service fee receivable from related companies. The amounts were of trade nature and with no credit period granted and shall be settled upon issuance of invoice. Our Directors confirm that such arrangement with related parties were in line with those made with independent customers and consistent with our Group's credit policies. As at 31 March 2014, all the outstanding balance due to related companies were either fully settled or assigned to Mr. Chu or Mr. Kwan (as the case maybe).

(ii) Amount due to a related company

The amount due to related company represents payable to K.S. So & Associates in respect of consultancy fee paid in relation to technical consultancy service provided by K.S. So & Associates to our Group. The amounts were of trade nature and with no credit period granted and shall be settled upon issuance of invoice.

The amount due to related company has been fully settled as at the Latest Practicable Date.

(iii) Loan from a Director

Between 2010 and 2011, as our Group was awarded with a number of construction projects with substantial contract sum, as a result additional working capital was required by WBDB. To fulfill such capital requirement, under the relevant terms of the contracts entered into by our Group with WBDB, our Group elected to fulfill such capital requirement by way of director's loan. In such connection, three loans from a director (i.e. Mr. Chu) in aggregate amounted to HK\$18.3 million was granted by Mr. Chu. Such shareholder loan is unsecured, interest-free and with no fixed repayment terms. When Mr. Chu granted such loans to our Group, Mr. Chu, our Group (through NC Engineering) and the Government entered into a tri-partite deed in relation to each of such three loans. Under each of the said deeds, Mr. Chu agreed not to require repayment of all or any part of the relevant loan in consideration of the Government's agreement to disregard the balance of such loan owing by our Group to Mr. Chu when calculating the required minimum working capital of NC Engineering. Pursuant to such deeds, the repayment of the shareholder loan will be subject to the consent of WBDB. Such consent is expected to be obtained upon completion of the relevant construction projects in the second half of 2014 which will in turn reduce the minimum capital requirement of the Group.

As at the 31 March 2014 and as at 20 June 2014, Mr. Chu had an amount outstanding payable to the Group amounted to HK\$18.3 million. As mutually agreed between Mr. Chu and the Group, the outstanding balance payable by Mr. Chu to the Group would be offset against the loan granted by Mr. Chu which was also amounted to HK\$18.3 million. To effect the netting-off of the above mentioned balances, Mr. Chu and NC Engineering entered into a netting-off agreement on 20 June 2014. Pursuant to such agreement, upon the obtaining of consent from WBDB, the amount due from Mr. Chu will be netted off with the loan from Mr. Chu. In addition, pursuant to the

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agreement, Mr. Chu has undertaken in favour of NC Engineering not to assign, draw or repay any loan from/to the Group. Our Hong Kong legal advisers confirm that there is no legal impediment in obtaining the Government's consent.

Our Hong Kong legal advisers further confirm that, upon fulfillment of the condition precedent (i.e. obtaining the consent from WBDB), the netting off of the relevant balances will become effective immediately.

The reporting accountants of the Company confirm that, pursuant to the terms of the netting off agreement and according to the relevant accounting standards, upon the netting off provisions under such agreement becoming unconditional, the balances owing to and from Mr. Chu will be netted off.

Obligations under finance leases

Certain piling equipment of our Group are held under finance lease. The lease terms are two to four years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The finance leases carry interest at the rate per annum of 3% to 3.25%. Set out below are the balances of obligation under finance leases for the Track Record Period:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Current	—	1,853	5,080
Non-current	—	5,731	10,251
	<u>—</u>	<u>7,584</u>	<u>15,331</u>

No finance lease was entered into by our Group in FY2012. In FY2013, the Group acquired certain piling equipment and arranged a finance lease from a financial institution in financing the acquisition. During FY2014, our Group acquired additional piling equipment financed by obtaining finance lease from financial institution and as a result our Group's obligation under finance lease increased accordingly.

The obligation under finance leases were secured by (i) corporate guarantees provided by a company wholly-owned by Mr. Chu, (ii) corporate guarantees provided by NC Engineering, (iii) charges/mortgages over properties owned by Mr. Chu and/or (iv) unlimited personal guarantee and indemnity from Mr. Chu (as the case maybe).

The corporate guarantees provided by a company wholly-owned by Mr. Chu, the corporate guarantees provided by NC Engineering and the unlimited personal guarantee and indemnity from Mr. Chu will be released, and will be replaced by a corporate guarantee to be given by our Company upon Listing. The charges/mortgages over properties owned by Mr. Chu have been released.

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Trade and other payables

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>28,991</u>	<u>27,753</u>	<u>27,441</u>
Retention payable	9,505	9,966	23,061
Provisions for long service payment	—	548	515
Provisions for annual leave	—	630	430
Accruals	<u>1,952</u>	<u>2,416</u>	<u>6,110</u>
	<u><u>40,448</u></u>	<u><u>41,313</u></u>	<u><u>57,557</u></u>

Trade payables

Trade payables principally comprise payables to the suppliers of materials and the sub-contractors of our Group. The trade payable balance as at 31 March 2012, 2013 and 2014 remained at comparable level.

Retention payable

Other payables mainly represent retention payables and accruals of our Group. Similar to retention receivables of our Group, when our Group outsources construction works to our sub-contractors, our Group will also withhold retention money from our sub-contractors. Similar to the terms when our Group acts as sub-contractor, generally, the first half of the retention money is released upon the issue of certificate of completion of the project and the second half of the retention money is released to us upon the issue of certificate of completion of making good defect after the expiry of the defect liability period.

The following table sets out the turnover days of trade payable (calculated as the average of beginning and ending trade payables and retention payable balances for the period, divided by cost of sales for the period, multiplied by the number of days in the period) for the Track Record Period:

	As at 31 March		
	2012	2013	2014
Trade payable turnover days	<u>55.3</u>	<u>71.9</u>	<u>42.6</u>

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Our suppliers of construction materials normally grant credit period of 0 to 30 days to us from the date of invoice.

For sub-contractors, our Group is normally obliged to pay our sub-contractors on monthly basis, usually 14 days after our receipt of payment from our customers. Generally, it takes 30 days for our customers to issue interim payment certificate after our monthly application. Our customers are then obliged to pay our Group within 30 days from the invoice date or the date of issuance of progress certificate. The relatively higher trade payable turnover days were also resulted from the withholding of retention money from our sub-contractors, of which the retention money pursuant to the terms of the sub-contracting agreement would only be released upon receiving the corresponding payment from our customers.

Accruals

Accruals mainly represent accrual of staff salary and mandatory provident funds as well as government levies and professional fees. The substantial increase in accrual balance during the Track Record Period were mainly contributed by the increase in accrual of staff cost which was in line with the increase in staff head count. In addition, for FY2014, the increase in accrual balance was contributed by the accrual of listing expense.

Amount due from/to customers for contract works

According to our accounting policies, our Group presents as an asset when the gross amount due from customers for contract works for all contracts in progress or which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Our Group presents as a liability when the gross amount due to customers for contract works for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). The following table sets forth the amount due to customers for contract work for the Track Record Period:

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from customers for contract works	—	—	3,081
Amount due to customers for contract works	<u>4,748</u>	<u>11,000</u>	<u>14,661</u>

The amounts due from/to customer for contract work are usually affected by (i) the volume and value of work performed by our Group in the last month of each reporting period; and (ii) the timing of making the progress certificates, thus varies from period to period. The increasing trend of the amount due to customers for contract works balance during the Track Record Period was in line with the increase in business scale of our Group.

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Banking Facilities

As at 31 March 2012, 2013 and 2014, the Group had aggregate banking facilities of approximately HK\$18,000,000, HK\$17,000,000 and HK\$12,000,000 at floating rate of 2.5% per annum below prime rate for overdrafts of which none of these were utilised as at the same date. These facilities were secured by (i) corporate guarantees provided by a company wholly-owned by Mr. Chu, (ii) corporate guarantees provided by NC Engineering, (iii) charges/mortgages over properties owned by Mr. Chu and (iv) unlimited personal guarantee and indemnity from Mr. Chu. Our Group's banking facilities do not have material covenants. Such banking facilities were already terminated by our Group as at the Latest Practicable Date.

LISTING EXPENSES

The total estimated listing expenses (excluding underwriting commission) in connection with the Share Offer are approximately HK\$22.5 million, of which approximately HK\$4.5 million has been charged to our consolidated income statement for FY2014, and approximately HK\$12.4 million is expected to be charged to our consolidated income statement for FY2015 and approximately HK\$5.6 million is expected to be capitalised as deferred expenses and charged against equity upon the Listing under the relevant accounting standards.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as at 31 March 2012, 2013 and 2014 and 31 July 2014, being the latest practicable date for the purpose of this indebtedness in this prospectus.

	As at 31 March			As at
	2012	2013	2014	31 July
	HK\$'000	HK\$'000	HK\$'000	2014
<i>Obligations under finance lease</i>	—	7,584	15,331	22,012
<i>Loans from Director, unsecured</i>				
— Mr. Chu	18,310	18,310	18,310	18,310

Obligations under finance leases

Our Group had certain piling equipment acquired under finance leases. The obligations under finance leases amount to approximately HK\$7.6 million and HK\$15.3 million as at 31 March 2013 and 2014 respectively. The lease terms are two to four years. The finance leases carry interest at the rate per annum of 3% to 3.25%.

As at 31 July 2014, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, our Group had obligations under finance leases of approximately HK\$22.0 million.

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The outstanding obligation under finance leases were secured by (i) corporate guarantees provided by a company wholly-owned by Mr. Chu, (ii) corporate guarantees provided by NC Engineering, (iii) charges/mortgages over properties owned by Mr. Chu and/or (iv) unlimited personal guarantee and indemnity from Mr. Chu (as the case maybe).

The corporate guarantees provided by a company wholly-owned by Mr. Chu, the corporate guarantees provided by NC Engineering and the unlimited personal guarantee and indemnity from Mr. Chu will be released and will be replaced by a corporate guarantee to be given by our Company upon Listing. The charges/mortgages over properties owned by Mr. Chu have been released.

Loan from a Director

The loan from a Director as at 31 March 2012, 2013 and 2014 and as at 31 July 2014 which was amounted to HK\$18.3 million represents a loan from Mr. Chu to fulfil the capital requirement under the relevant terms of contract entered into with WBDB. The loan is interest-free, unsecured and no fixed payment terms.

Mortgages and charges

As at 31 July 2014, being the latest practicable date for the purpose of the indebtedness statement prior to the bulk printing of this prospectus, our Group had pledged deposits of approximately HK\$13.1 million. The deposit was pledged to bank to secure the performance bond granted to our Group as at 31 July 2014.

Contingent liabilities

(a) Performance bonds

Performance bonds have been issued by banks as our Group has some major construction contracts with customers and the bonds are performance guarantee for the provision of works for such projects. At the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Group.

As at 31 March 2012, 31 March 2013, 31 March 2014 and 31 July 2014, the amount of outstanding performance bonds was approximately HK\$6.5 million, HK\$19.3 million, HK\$22.3 million and HK\$41.6 respectively.

The performance bonds were secured by (i) corporate guarantees provided by a company wholly-owned by Mr. Chu, (ii) corporate guarantees provided by NC Engineering, (iii) charges/mortgages over properties owned by Mr. Chu and/or (iv) unlimited personal guarantee and indemnity from Mr. Chu (as the case maybe).

The corporate guarantees provided by a company wholly-owned by Mr. Chu, the charges/mortgages over properties owned by Mr. Chu and the unlimited personal guarantee and indemnity from Mr. Chu will be released and will be replaced by a corporate guarantee to be given by our Company upon Listing (as the case maybe).

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(b) Litigations and potential claims

For details regarding the litigations and potential claims, please refer to paragraph headed “Business — Litigation and potential claims” in the prospectus.

(c) Financial guarantee issued

As at 31 March 2012 and 31 March 2013, our Group has issued corporate guarantee to a bank in respect of the banking facilities granted to its related company. Under the corporate guarantee, our Group and the related company are jointly and severally liable for all or any the borrowings of each of them from the bank. At the end of reporting period, the corporate guarantee was released from our Group.

The outstanding amounts of banking facilities utilised by the related company as at 31 March 2012 and 31 March 2013 are nil.

The fair value of the corporate guarantees at date of incorporation is not material and is not recognised in the financial statements for FY2012 and FY2013.

Disclaimer

Save as disclosed herein and apart from normal trade and other payables and tax payable, our Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the closure of business on 31 July 2014.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since 31 July 2014 up to the date of this prospectus.

WORKING CAPITAL

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through payment of dividends and new shares issues. We seek to effectively manage our cash flow and capital commitments. We centrally manage our capital to ensure proper and efficient collection and deployment of our funds. All application and disbursement of funds require the approval of the appropriate senior management of our Group (which some of them will be executive Directors).

Taking into account the financial resources available to our Group, including internally generated funds and the estimated net proceeds from the Share Offer, our Directors confirm that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. The Sole Sponsor concurs with our Directors’ view.

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CAPITAL EXPENDITURES

Historical capital expenditure

We have historically funded our capital expenditures with cash generated from our Group's operations. The following table sets forth our capital expenditures for the Track Record Period indicated:

	For the year ended 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and machinery	3,280	9,857	24,805
Furniture and office equipment	5	674	239
Motor Vehicles	<u>—</u>	<u>50</u>	<u>14</u>
Total	<u><u>3,285</u></u>	<u><u>10,581</u></u>	<u><u>25,058</u></u>

Capital expenditure after 31 March 2014

For the purpose of our business expansion, after 31 March 2014 and up to the Latest Practicable Date, we acquired piling equipment which amounted to HK\$19.8 million, and such acquisition would be financed by way of finance lease and cash flow generated from our operation. Our Group also ordered certain additional piling equipment amounted to HK\$1.4 million. We financed and plan to finance the abovementioned capital expenditure through finance lease or cash flow generated from our operations.

COMMITMENTS

Operating lease commitment

As at 31 March 2012, 2013 and 2014, our Group had outstanding commitments payable under non-cancellable operating leases in respect of properties rented with lease terms of between one to four years and rental are fixed over the lease terms, which fall due as follows:

	For the year ended 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	16.5	828	828
After one year but within five years	<u>—</u>	<u>2,208</u>	<u>1,380</u>
	<u><u>16.5</u></u>	<u><u>3,036</u></u>	<u><u>2,208</u></u>

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Capital commitment

As at 31 March 2012, 2013 and 2014, the Group did not have any capital commitment.

OFF-BALANCE SHEET ARRANGEMENT

As at 31 March 2014, our Group did not have any off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK

Our Group are exposed to various types of market risks, including credit risk, interest rate risk and liquidity risk.

a) Credit risk

The carrying amount of accounts receivable represents our Group's maximum exposure to credit risk in relation to its financial assets. It is our Group's policy that receivables balances are monitored on an ongoing basis and our Group normally gives 30 days credit terms to its customers. The allowance for impairment would be made to reduce the exposure to the credit risk in relation to the receivables if necessary. There are no significant concentrations of credit risk within the Company in relation to other financial assets.

b) Interest rate risk

Our Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

Our Group's exposure to interest-rate risk arises from its bank deposits and borrowings. These bank deposits and borrowings bear interests at floating rates varied with the then prevailing market condition.

c) Liquidity risk

Our Group regularly monitors current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient cash, adequate committed fund from bank and advance from a shareholder to meet its liquidity requirements in the short and longer term.

DIVIDEND AND DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

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We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

During the Track Record Period, our Group members declared nil, HK\$10.5 million and HK\$52.5 million of dividend their then shareholders respectively.

Our Group also declared and paid an interim dividend of HK\$15 million on 22 August 2014.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 3 April 2014 and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to Shareholders as at 31 July 2014.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 15 to the accountants' report set out in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favourable to us than terms available from Independent Third Parties which are fair and reasonable and in the interest of the Shareholders as a whole.

RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE

Our Group recorded a revenue of approximately HK\$174.3 million for the four months ended 31 July 2014, representing a growth of 48.0% as compared to the corresponding period in FY2014. The substantial increase in revenue was attributable to the increase in number of projects carried out by our Group for the first four months of FY2015. Gross profit of our Group for the first four months of FY2015 also increased by 124.7% as compared to the corresponding period in FY2014. The increase was mainly due to the increase in revenue for reasons as explained above and the gross profit margin of our Group increased from 8.2% to 12.5%. The increase in gross profit margin was mainly attributable to the increase in profit margin of certain newly awarded foundation projects carried out by our Group for the first four months of FY2015. Comparing to our Group's gross profit margin for the entire year of FY2014, our Group's gross profit margin of 12.5% for the first four months of FY2015 represents a decrease as compared to the gross profit margin of 18.1% for the entire FY2014. Such decrease was primarily related to the fact that some of our projects with high profit margin were approaching to completion stage, where substantial works of those projects were completed in FY2014 and comparatively less works were carried out during the first four months of FY2015. As a result, revenue attributable to such high profit margin projects decreased. New projects which are estimated to record relatively high profit margin have only commenced recently, but having incurred certain preliminary expense of HK\$4.5 million and resulting in relatively low revenue attributable to those new projects. Thus, the gross profit margin of our Group in the first four months of FY2015 decreased as compared to the gross profit margin for the entire FY2014. The

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abovementioned unaudited financial information has been derived from the internal financial information of our Group, which has been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 “Review on Interim Financial Information Performed by the Independent Auditor of the Entity”.

For the purpose of our business expansion, after 31 March 2014 and up to the Latest Practicable Date, we acquired piling equipment which amounted to HK\$19.8 million. We financed the abovementioned capital expenditure through finance lease and cash flow generated from our operations. Our Group also ordered certain additional piling equipment amounted to HK\$1.4 million which our Group intends to finance by way of cash flow generated from our operations or finance lease.

As at the Latest Practicable Date, approximately 100% of the outstanding trade receivables as at 31 March 2014 had been subsequently settled.

Subsequent to 31 March 2014 and up to the Latest Practicable Date, our Group entered into seven new contracts in relation to foundation works (namely, the Kwai Chung Project, the Oil Street Project, the Shek Mun Project, the Tseung Kwan O Composite Project, the Sai Kung Hotel Project, the Des Voeux Road West Project and the Tsuen Wan Project) and one new contract in relation to civil engineering works in Hong Kong (namely the Kau To Project) and six of them commenced construction before the Latest Practicable Date. The aggregate estimated contract sum of these eight new Major Projects amounted to approximately HK\$650.6 million. Due to the commencement of the abovementioned projects, our Group incurred certain amount of preliminary costs of construction which adversely affected our Group’s gross profit margin for the period from 1 April 2014 to the Latest Practicable Date comparing to that of FY2014.

As at the Latest Practicable Date, our Group had 18 Major Projects currently under progress, of which the Un Chau Street Building Project, the Kap Pin Long Project and the Wong Tai Sin Project have not been completed according to the original expected completion dates stated in the relevant contracts. We believe that our Group did not cause the delay of each of these projects and we have filed the relevant applications for time extension to the respective customers’ architect/consultant (of which all our time extension applications for the Un Chau Street Project have already been in principle agreed by the customer’s architect). In case that our prolongation claims for the Un Chau Street Building Project and/or our time extension applications for the Kap Pin Long Project and Wong Tai Sin Project are not accepted, (i) the maximum additional cost incurred by us for the Un Chau Street Building Project will be about HK\$2.7 million; (ii) the maximum liquidated damages payable by our Group for the Kap Pin Long Project will be less than HK\$500,000; and (iii) the maximum liquidated damages payable by our Group for the Wong Tai Sin Project will be less than HK\$700,000. For the Wong Tai Sin Project, on 22 August 2014, as agreed by the relevant customer’s consultant in writing, the completion date of the Wong Tai Sin Project will be extended to mid-September 2014, hence our Directors are of the view that we will not be subject to the abovementioned liquidated damages. For the Un Chau Street Building Project and the Kap Pin Long Project, as these sums are not significant, our Directors consider that even if we are not able to claim those costs and/or are liable for those liquidated damages as mentioned above, it will not cause material financial impact to

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our Group. For further details of the delay in completion of these projects, please refer to the paragraph headed “Business — Construction projects — Projects in progress based on information available as at the Latest Practicable Date” in this prospectus.

In addition, our Group’s financial performance for FY2015 will be adversely affected by the non-recurring expenses incurred in relation to the Listing. Our Group expects that listing expenses amounting to HK\$12.4 million will be charged to our consolidated income statement for FY2015. The said listing expenses are a current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Taking into account the listing expenses, our Directors consider that our Group’s financial performance will be adversely affected in FY2015. In particular, for the six months ending 30 September 2014, due to such listing expenses to be incurred, our Group’s financial results may or may not be profitable.

On 22 August 2014, our Group declared and paid an interim dividend of HK\$15 million by our internal financial resources.

Our Directors have confirmed that there had been no event since 31 March 2014 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus. Our Directors have also confirmed that there had not been any material change in our indebtedness and contingent liabilities since 31 July 2014.

As far as our Directors are aware, there was no material change in the general conditions in the construction industry in the markets that our Group operated in that had affected or would affect our Group’s business operations or financial conditions materially and adversely.

Our Directors have also confirmed that there was no material change in respect of the market price the construction materials costs and sub-contracting charges after the Track Record Period.

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UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets of our Group attributable to equity holders of our Company as if the Share Offer had taken place on 31 March 2014. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 31 March 2014 or any future dates following the Share Offer.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as of 31 March 2014 <i>(note 1)</i> HK\$'000	Estimated net proceeds from the Share Offer <i>(note 2)</i> HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company <i>(note 3)</i> HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company per Share <i>(note 3)</i> HK\$
Based on the Offer Price of HK\$0.75 per Offer Share	49,370	54,391	103,761	0.26
Based on the Offer Price of HK\$0.90 per Offer Share	49,370	68,866	118,236	0.3

Note:

- (1) The audited combined net tangible assets attributable to equity holders of the Company as of 31 March 2014 is based on the audited combined net assets of HK\$49,369,754 as of 31 March 2014, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus.
- (2) The adjustment to the pro forma statement of combined net tangible assets of our Group reflects the estimated proceeds from the Share Offer to be received by the Company. The estimated proceeds from the Share Offer is based on the Offer Price of HK\$0.75 and HK\$0.90 per Share and 100,000,000 Offer Shares, net of estimated listing expenses of approximately HK\$20.6 million and HK\$21.1 million respectively.
- (3) The number of Shares is based on a total of 400,000,000 Shares issued, adjusted as if the Share Offer and the Capitalisation Issue had occurred at 31 March 2014.
- (4) The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 March 2014). In particular, on 22 August 2014, an interim dividend of HK\$15,000,000 was declared and paid to the then shareholders of the Company. The unaudited pro forma adjusted combined net tangible assets had not taken into account of the above transaction.

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NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Hong Kong Stock Exchange on that date.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 31 March 2014 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements included in “Appendix I — Accountants’ Report” to this prospectus.

KEY FINANCIAL RATIOS

The following table shows certain key financial ratios as at the dates or for the periods indicated:

	As at or for the year ended 31 March		
	2012	2013	2014
Current ratio ¹ (times)	2.1	2.1	1.6
Quick ratio ² (times)	2.1	2.1	1.6
Debt to equity ratio ³ (%)	N/A	N/A	N/A
Gearing ratio ⁴ (%)	N/A	14.8	31.1
Interest coverage ratio ⁵ (times)	805.2	1,468.7	176.5
Return on assets ⁶ (%)	12.9	17.2	31.1
Return on equity ⁷ (%)	35.0	44.9	102.5
Net profit margin ⁸ (%)	7.1	10.0	10.9

Notes:

1. Current ratio is calculated as the total current assets divided by the total current liabilities as at the respective years.
2. Quick ratio is calculated as the current assets excluded inventories divided by the total current liabilities as the respective years.
3. Debt to equity ratio is calculated as total borrowings net of cash and cash equivalents divided by total equity as at the respective dates.
4. Gearing ratio is calculated as the payables incurred not in the ordinary course of business (excluding loan from a director) divided by total equity as at the respective years and multiplied by 100%.
5. Interest coverage is calculated as profit before interest and taxes divided by interest expenses of the respective years.
6. Return on assets is calculated as the net profit divided by the total assets as at the respective years.

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7. Return on equity is calculated as the net profit attributable to our owners divided by the equity attributable to our owners as at the respective years.
8. Net profit margin is calculated as the net profit attributable to our owners divided by revenue as at the respective years.

Current ratio and quick ratio

The current ratio as at the closing date of FY2012 and FY2013 remained at 2.1 times for both years as the amount current assets and current liabilities increased in the same magnitude due the reasons of increase in capital expenditure and obligations under finance lease respectively.

The current ratio as at 31 March 2014 decreased to 1.6 times from 2.1 times as at 31 March 2013. The decrease was mainly due to the magnitude of the increase in current assets were relatively smaller than the increase in current liability, as a result of the repayment of amounts due from related companies by way of offsetting dividend payable to the respective shareholders, which decreased the Group's current asset.

The operations of the Group did not record any inventories during the Track Record Period. As such, the quick ratio of the Group as at 31 March 2012, 2013 and 2014 was identical to the current ratio as explained as above respectively.

Gearing ratio

The gearing ratio as at 31 March 2013 was approximately 14.8%. Our Group did not record any bank borrowing as at 31 March 2012. The debt recorded as at 31 March 2013 was mainly to the financing the acquisition of the plant and equipment by hire purchase during the year.

As at 31 March 2014, the gearing ratio further increased to approximately 31.1%, which was mainly attributable to (i) the increase in the finance lease balance, as our Group financed its acquisition of the plant and equipment by hire purchase during the year; (ii) the decrease in shareholders' equity contributed by the dividend declared during the year amounted to HK\$52 million; and (iii) offset by a significant increase in net profit in FY2014.

Interest coverage ratio

The interest rate coverage of the Group for FY2013 was 1,468.7 times, increased by 663.5 times as compared to that of FY2012. The increase was mainly due to significant increase in profit before interest and tax from HK\$16.0 million for FY2012 to HK\$27.5 million for FY2013, while the interest expense remained stable.

The interest rate coverage for FY2014 dropped to 176.5 times. The decrease was mainly due to increase in the interest expense, from HK\$18,755 to HK\$347,109 mainly attributed to interest expense incurred for the finance lease charge.

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Return on assets

The return on total assets ratios for the three financial years of the Track Record Period were 12.9%, 17.2% and 31.1% respectively. The increasing trend of the return on total assets was mainly due to the magnitude of the increase in net profit during the Track Record Period was greater than the increase in asset base of our Group contributed by the increase in business scale of our Group during the Track Record Period.

Return on equity

The return on equity ratios for the three financial years of the Track Record Period were 35.0%, 44.9% and 102.5% respectively. The growth in return on equity was mainly resulted from reduction of total equity by distribution of dividend of approximately HK\$10.5 million and approximately HK\$52 million during FY2013 and FY2014 respectively offset by the substantial increase in net profit for FY2013 and FY2014 of 69.6% and 119.9% respectively.

Net profit margin

The net profit margin for the three financial years of the Track Record Period were 7.1%, 10.0% and 10.9% respectively. The growth in net profit margin for FY2013 as compared to the corresponding year was mainly due to the magnitude of increase in gross profit of our Group outweighed the increase in costs incurred by our Group during the Track Record Period. Net profit margin of our Group remained stable for FY2014 as compared to the prior year.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS STRATEGIES AND PROSPECTS

The paragraph headed “Business — Business strategies and prospects” in this prospectus sets out a description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK\$0.825, being the mid-point of the Offer Price range, will be approximately HK\$57.1 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately 82% or approximately HK\$46.8 million of the net proceeds for the acquisition of additional machinery and equipment for foundation works (including but not limited to hydraulic casing oscillator, hydraulic excavator, piling rig, hydraulic crawler crane and other foundation works equipment) in the next four years to increase our capacity to cope with our expected business growth;
- approximately 10% or approximately HK\$5.7 million of the net proceeds for the hiring of additional staff, including two project management staff (including project manager and engineer) and nine machinery operators to be hired to increase our capacity; and
- the remaining 8% or approximately HK\$4.6 million of the net proceeds will be used as general working capital of our Group.

The allocation of the proceeds above will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is fixed at HK\$0.90 per Share, being the high end of the stated Offer Price range, our net proceeds will be increased by approximately HK\$7.2 million to approximately HK\$64.3 million. In such circumstances, we currently intend to use such additional proceeds in the same proportions as set out above. If the Offer Price is fixed at HK\$0.75 per Share, being the low end of the stated Offer Price range, our net proceeds will be decreased by approximately HK\$7.2 million, to approximately HK\$49.9 million. Under such circumstances, we currently intend to reduce the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments with authorised financial institutions or licensed banks in Hong Kong. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

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PUBLIC OFFER UNDERWRITERS

Sole Coordinator, Sole Lead Manager and Sole Bookrunner

Halcyon Securities Limited

Co-Lead Managers

(in alphabetical order)

Convoy Investment Services Limited

Great Roc Capital Securities Limited

Investec Capital Asia Limited

Shenyin Wanguo Capital (H.K.) Limited

Tung Shing Securities (Brokers) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 10,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal, in all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly (nor “jointly and severally”), agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Coordinator (acting on behalf of all the Public Offer

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Underwriters) shall have the absolute right to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “Termination Time”) if prior to the Termination Time:

- (a) there has come to the notice of the Sole Coordinator or any of the Public Offer Underwriters:
 - (i) any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Sole Coordinator and the Public Offer Underwriters) which, in any such cases, is considered, in the sole and absolute opinion of the Sole Coordinator, to be material in the context of the Share Offer; or
 - (ii) any statement contained in this prospectus, the Application Forms, the post hearing information pack, the formal notice and any announcements issued by our Company (including any supplement or amendment to each of the said documents) has become or been discovered to be untrue, incorrect or misleading in any respect which is considered, in the sole and absolute opinion of the Sole Coordinator, to be material in the context of the Share Offer; or
 - (iii) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being an event, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any respect, and which is considered, in the sole and absolute opinion of the Sole Coordinator, to be material in the context of the Share Offer; or
 - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Sole Coordinator, a material omission in the context of the Share Offer; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of our Company or any of the executive Directors or our Controlling Shareholders arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or

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- (vi) any breach by any party to the Public Offer Underwriting Agreement (other than the Sole Coordinator and the Public Offer Underwriters) of any provision of the Public Offer Underwriting Agreement which, in the sole and absolute opinion of the Sole Coordinator, is material; or
- (b) there shall have developed, occurred, existed, or come into effect any event or series of events, matter or circumstance whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
 - (i) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the PRC, BVI, the Cayman Islands, the U.S. or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the “Relevant Jurisdictions”); or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in the local, regional or international financial, equity securities, currency, political, military, industrial, economic, stock market or other market conditions or prospects in or affecting the Relevant Jurisdictions; or
 - (iii) any change in the system under which the value of the HK dollars or Renminbi is linked to that of the U.S. dollars; or
 - (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdictions; or
 - (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
 - (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the Relevant Jurisdictions; or
 - (viii) a general moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance service in or affecting the Relevant Jurisdictions; or

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- (ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, tsunami, fire, flood, explosion, epidemic, terrorism (whether or not responsibility has been claimed), strike or lock-out; or
- (x) 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 the Relevant Jurisdictions; or
- (xi) a demand by any creditor for repayment or payment of any material indebtedness of any other member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiii) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xiv) any litigation or claim of importance of any third party being instigated or threatened against any member of our Group,

which, in the sole and absolute opinion of the Sole Coordinator:

- (1) is or will be, or is likely to be, adverse to the business, financial, trading or other condition or prospects of our Group taken as a whole or any member of our Group; or
- (2) has or will have or is likely to have an adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (3) for any other reason makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Share Offer as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

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- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Lock-up undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken with the Sole Coordinator (acting on behalf of all the Public Offer Underwriters) that, and each of our executive Directors and Controlling Shareholders has undertaken irrevocably and unconditionally with the Sole Coordinator (acting on behalf of all the Public Offer Underwriters) to procure that:

- (a) except for the issue of the Shares pursuant to the Share Offer, the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares on exercise thereof or as otherwise with the Sole Coordinator's prior written consent, and unless in compliance with the Listing Rules, our Company will not, and will procure none of our subsidiaries will, during the first six-month period commencing on the date by reference to which disclosure of the shareholding of our executive Directors and our Controlling Shareholders in our Company is made in this prospectus and ending on the date which falls six months from the Listing Date (the "First Six-Month Period"):
 - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or, as applicable to our subsidiaries only, repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or interest therein as described in paragraph (i) above; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above,

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whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any member of our Group or any interest therein by virtue of the aforesaid exceptions or during the six month period commencing from the expiry of the First Six-Month Period (the “Second Six-Month Period”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertakings by our Controlling Shareholders and Mr. Kwan

Each of our Controlling Shareholders and Mr. Kwan has jointly and severally undertaken to the Sole Coordinator (on behalf of all the Public Offer Underwriters) that, save as pursuant to the Share Option Scheme, he/it will not, and will procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it will not, without the Sole Coordinator’s prior written consent and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period:
 - (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein);
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein;
 - (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above;

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whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (b) at any time during the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, (i) he/it will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company; and (ii) as for Mr. Kwan, he and his associates (individually or taken as a whole) cease to own 5% of the then issued share capital of BVI Holdco directly or indirectly.

Each of our Controlling Shareholders and Mr. Kwan has jointly and severally undertaken to the Sole Coordinator (on behalf of all the Public Offer Underwriters) that:

- (x) until expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions referred to in paragraph (a) or (b) above or agrees or contracts to or publicly announces an intention to enter into any such transactions by virtue of the aforesaid exceptions, he/it will take all reasonable steps to ensure that such action not create a disorderly or false market in the Shares or other securities of our Company;
- (y) comply with the requirements of Rule 10.07(1) and Notes (1), (2) and (3) to Rule 10.07(2) of the Listing Rules, to procure that our Company will comply with the requirements under Note (3) of Rule 10.07(2) of the Listing Rules, and comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it and his/its associates and companies controlled by him/it of any Shares or other securities of our Company; and
- (z) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve months from the Listing Date, our Controlling Shareholders and Mr. Kwan will:
 - (i) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sole Sponsor and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and

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- (ii) when he/it receives any indication, whether verbal or written, from any such pledge or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Stock Exchange in writing of any such indication.

Our Company has undertaken to the Sole Sponsor, and our Controlling Shareholders and Mr. Kwan have undertaken to the Sole Sponsor that they will procure our Company to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraph (x), (y) or (z) above, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange

Undertakings 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 our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company 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 in certain circumstances permitted by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer, he/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner; and
- (b) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

UNDERWRITING

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within a period commencing from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any of the Shares or securities of our Company beneficially owned by he/it, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledged or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (b) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company of such indications.

Placing

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and the executive Directors) will enter into the Placing Underwriting Agreement with the Sole Coordinator and the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly (nor “jointly and severally”), agree to act as agents of our Company to procure subscribers for and purchasers of, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as set out in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. 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, the Controlling Shareholders and Mr. Kwan will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Public Offer — Lock-up undertakings to the Public Offer Underwriters” above in this section.

Commissions and expenses

The Public Offer Underwriters will, and the Placing Underwriters are expected to, receive a commission of 3% of the aggregate Offer Price payable for the Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions. The Sole Sponsor will also receive a documentation and advisory fee.

UNDERWRITING

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK\$0.825 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK\$25.4 million in total, and are payable by our Company.

UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a documentation and advisory fee. The Sole Coordinator and other Underwriters will receive an underwriting commission. Particulars of such underwriting commission and expenses are set out in the paragraph headed “Underwriting arrangements and expenses — Commissions and expenses” above in this section.

We have appointed Halcyon 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 our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first financial year commencing after such Listing Date, or until the agreement is terminated, whichever is earlier.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

MINIMUM PUBLIC FLOAT

Our Directors 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 OF THE SHARE OFFER

Further details are set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting the approval for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including the Shares to be issued pursuant to the Share Offer and the Capitalisation Issue and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or before the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or before the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement becoming, and continuing to be, unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be announced by us on our Company’s website at www.ncfl.com.hk and the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the paragraph headed “How to apply for the Public Offer Shares — 13. Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 18 September 2014 but will only become valid certificates of title at 8:00 a.m. on Friday, 19 September 2014 provided that (i) the Share Offer has become unconditional in all respects

STRUCTURE OF THE SHARE OFFER

and (ii) the right of termination as described in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 100,000,000 Offer Shares will be made available under the Share Offer, of which 90,000,000 Placing Shares (subject to reallocation), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 10,000,000 Public Offer Shares (subject to re-allocation), 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 severally agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will severally 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 the Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

The Company is expected to offer initially 90,000,000 Placing Shares (subject to re-allocation) 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 plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy 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 intended to result in a distribution of the Placing Shares on a basis which

STRUCTURE OF THE SHARE OFFER

would lead to the establishment of a solid shareholder base to the benefit of the 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.

The Company, the Directors, the Sole Sponsor and the Sole Coordinator (for itself 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 (among others) the conditions as stated in the paragraph headed “Conditions of the Public Offer” of this section.

The Public Offer

The Company is initially offering 10,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong 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 is agreed on or before Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.90 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% 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.

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

STRUCTURE OF THE SHARE OFFER

subscription under the Public Offer will be increased to 30,000,000 Shares, representing 30% 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 40,000,000 Shares, representing 40% 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 50,000,000 Shares, representing 50% of the Offer Shares initially available for subscription under 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 Sole Coordinator.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.90 per Offer Share and is expected to be not less than HK\$0.75 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.90 per Public Offer Share plus 1.0% brokerage, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,636.29 per board lot of 4,000 Shares. Each Application Form includes a table showing the exact amount payable on certain multiples of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.90, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please see the paragraph headed “How to apply for the Public Offer Shares — 13. Refund of application monies” in this prospectus.

STRUCTURE OF THE SHARE OFFER

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around Wednesday, 10 September 2014.

The Offer Price is expected to be fixed by agreement between the Sole Coordinator (acting on behalf of all the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 11 September 2014 and in any event, no later than Saturday, 13 September 2014.

If, for any reason, our Company and the Sole Coordinator (acting on behalf of all the Underwriters) are unable to reach agreement on the Offer Price on or before Saturday, 13 September 2014, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Coordinator (acting on behalf of all the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced 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 any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published by us on our Company’s website at www.ncfl.com.hk and the website of the Stock Exchange at www.hkexnews.hk notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering 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. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Coordinator (acting on behalf of all the Underwriters) and our Company, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

STRUCTURE OF THE SHARE OFFER

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Coordinator.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Sole Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Thursday, 18 September 2014 on our Company's website at www.ncfl.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form Service Provider** through the **HK eIPO White Form Service (www.hkeipo.hk)**, will be made available through a variety of channels as described in the paragraph headed "How to apply for the Public Offer Shares — 11. Publication of results" in this prospectus.

STRUCTURE OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between 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.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 19 September 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 19 September 2014. The Shares will be traded in board lots of 4,000 Shares each under the stock code 2221.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for the 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.

The Company, the Sole Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** 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 Sole Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the 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 Thursday, 4 September 2014 until 12:00 noon on Wednesday, 10 September 2014 from:

- (i) any of the following offices of the Public Offer Underwriters

Halcyon Securities Limited	11/F, 8 Wyndham Street Central Hong Kong
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Convoy Investment Services Limited	24C, @CONVOY 169 Electric Road North Point Hong Kong
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HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Great Roc Capital Securities Limited	Suite 3712 37/F, West Tower Shun Tak Centre 168–200 Connaught Road Central Hong Kong
Investec Capital Asia Limited	Room 3609–3613 36/F, Two International Finance Centre 8 Finance Street, Central Hong Kong
Shenyin Wanguo Capital (H.K.) Limited	Level 19 28 Hennessy Road Hong Kong
Tung Shing Securities (Brokers) Limited	22/F, China Overseas Building 139 Hennessy Road Wanchai Hong Kong

(ii) any of the following branches of the receiving banks:

DBS Bank (Hong Kong) Limited

District	Branch name	Address
Hong Kong Island	Head office	G/F, The Center, 99 Queen's Road Central
	United Centre branch	Shops 1015–1018, 1/F & Shops 2032–2034, 2/F, United Centre, 95 Queensway, Admiralty
Kowloon	Nathan Road branch	G/F, Wofoo Commercial Building, 574–576 Nathan Road, Mongkok, Kowloon

Industrial and Commercial Bank of China (Asia) Limited

District	Branch name	Address
Hong Kong Island	Central branch	1/F, 9 Queen's Road Central
	Queen's Road Central branch	122–126 Queen's Road Central, Central

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Kowloon	Tsimshatsui branch	Shop 1&2, G/F, No. 35–37 Hankow Road, Tsimshatsui
	Mongkok branch	G/F., Belgian Bank Building, 721–725 Nathan Road, Mongkok

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 4 September 2014 until 12:00 noon on Wednesday, 10 September 2014 from the Depository Counter of HKSCC at 2/F., Infinitus Plaza, 199 Des Voeux Road 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 "ICBC (Asia) Nominee Limited — New Concepts Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the banks listed under the paragraph headed "Where to collect the Application Forms" in this section at the following times:

Thursday, 4 September 2014	—	9:00 a.m. to 5:00 p.m.
Friday, 5 September 2014	—	9:00 a.m. to 5:00 p.m.
Saturday, 6 September 2014	—	9:00 a.m. to 1:00 p.m.
Monday, 8 September 2014	—	9:00 a.m. to 5:00 p.m.
Wednesday, 10 September 2014	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 10 September 2014, the last application day or such later time as described in "Effect of bad weather conditions on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** 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 the Company and/or the Sole Coordinator (or its agents or nominees), an agent of the 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 Memorandum and Articles of Association of the Company;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) agree to comply with the Companies Law, the Cap. 32 Companies (WUMP) Ordinance and the Articles of Association of the Company;
- (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 the Company, the Sole Coordinator, 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 the Company, the Hong Kong Share Registrar, receiving banks, the Sole Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Coordinator 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 the U.S. Securities Act; and (ii) you and any person for whose benefit you are

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the 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 the Company and the Sole Coordinator 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
- (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. APPLICATION 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 the 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 Thursday, 4 September 2014 until 11:30 a.m. on Wednesday, 10 September 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 10 September 2014 or such later time under the “Effects of bad weather conditions 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 the **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Cap. 32 Companies (WUMP) Ordinance

For the avoidance of doubt, the 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 Cap. 32 Companies (WUMP) Ordinance (as applied by section 342E of the Cap. 32 Companies (WUMP) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the 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 the Company, the Sole Coordinator and the Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(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;
- 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 the Company, the Directors and the Sole Coordinator 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 the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Coordinator, 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 the Company, the Hong Kong Share Registrar, receiving banks, the Sole Coordinator, the Underwriters and/or its respective advisers and agents;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 the 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 Cap. 32 Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the 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 the Company, for itself and for the benefit of each Shareholder (and so that the 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 Cap. 32 Companies (WUMP) Ordinance and the Articles of Association of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the 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, 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 4,000 Public Offer Shares. Instructions for more than 4,000 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:

Thursday, 4 September 2014	—	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 5 September 2014	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Saturday, 6 September 2014	—	8:00 a.m. to 1:00 p.m. ⁽¹⁾
Monday, 8 September 2014	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 10 September 2014	—	8:00 a.m. ⁽¹⁾ to 12:00 noon

Note (1): These times are subject to such changes as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 4 September 2014 until 12:00 noon on Wednesday, 10 September 2014 (24 hours daily, except the last application day).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, 10 September 2014 or if the application lists are not open on that day, by the time and date stated in the subparagraph headed “Effect of bad weather conditions on the opening of the application lists” below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Cap. 32 Companies (WUMP) Ordinance

For the avoidance of doubt, the 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 Cap. 32 Companies (WUMP) Ordinance (as applied by section 342E of the Cap. 32 Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Coordinator, 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 to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Coordinator, 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 10 September 2014.

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 **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 the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 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 (as defined in the Listing Rules), 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 paragraph headed “Structure of the Share Offer — Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 10 September 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 10 September 2014 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.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 18 September 2014 on the Company’s website at **www.ncfl.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 the Company's website at **www.ncfl.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 18 September 2014;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 18 September 2014 to 12:00 midnight on Wednesday, 24 September 2014;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 and 6:00 p.m. from Thursday, 18 September 2014 to Tuesday, 23 September 2014 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 18 September 2014 to Monday, 22 September 2014 at all the receiving banks' branches and sub-branches.

If the 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 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.

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 submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Cap. 32 Companies (WUMP) Ordinance (as applied by section 342E of the Cap. 32 Companies (WUMP) 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 the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Coordinator, 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 does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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;
- the Company or the Sole Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.90 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 of the Share Offer — Conditions of the Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 18 September 2014.

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).

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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 18 September 2014. 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 Friday, 19 September 2014 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 Company’s 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 Thursday, 18 September 2014 or such other date as announced by us.

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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Thursday, 18 September 2014, 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 Thursday, 18 September 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 18 September 2014, 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*

The 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 the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 September 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

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 Company's 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 Thursday, 18 September 2014, or such other date as announced by the Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Thursday, 18 September 2014 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 each such instructions is 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 Thursday, 18 September 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Thursday, 18 September 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 September 2014 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 Thursday, 18 September 2014. 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 Thursday, 18 September 2014.

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 Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporating in this prospectus, received from the Company's reporting accountant, World Link CPA Limited, Certified Public Accountants, Hong Kong.

World Link
World Link CPA Limited

5th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong
4 September 2014

The Board of Directors
New Concepts Holdings Limited
Halcyon Capital Limited

Dear Sirs,

We set out below our report on the financial information of New Concepts Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises the combined statements of financial position as at 31 March 2012, 2013 and 2014, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2012, 2013 and 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information thereto (the "Financial Information"). This Financial Information has been prepared by the directors of the Company and is set out in Sections A to C below for inclusion in Appendix I to the prospectus of the Company dated 4 September 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 3 April 2014 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(c) of Section B headed "Group reorganisation" below, which was completed on 13 August 2014, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(c) of Section B below.

All the companies now comprising the Group have adopted 31 March as the financial year end date.

No audited financial statements have been prepared for the Company as it was newly incorporated and has not entered into any significant business transactions since its date of incorporation other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are

statutory audit requirements have been prepared in accordance with relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 1(c) of Section B below.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment considered necessary to be made thereon.

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(d) of Section B below and in accordance with HKFRSs, applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report on the basis of presentation set out in Note 1(d) of Section B below, a true and fair view of the state of affairs of the Group as at 31 March 2012, 2013 and 2014 and of the Group's results and cash flows for the Relevant Periods then ended.

A. FINANCIAL INFORMATION OF THE GROUP

Combined statements of profit or loss and other comprehensive income

	<i>Note</i>	Year ended 31 March		
		2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>
Revenue	5	190,858,372	230,425,039	463,020,588
Cost of sales	6	<u>(171,019,348)</u>	<u>(193,517,736)</u>	<u>(377,852,032)</u>
Gross profit		19,839,024	36,907,303	85,168,556
Other income and net gains	5(f)	9,341,779	6,041,679	11,154,557
Administrative expenses	6	(2,748,374)	(4,579,288)	(9,207,786)
Other operating expenses	6	<u>(10,451,522)</u>	<u>(10,824,974)</u>	<u>(25,839,247)</u>
Operating profit		15,980,907	27,544,720	61,276,080
Finance costs	8	<u>(19,847)</u>	<u>(18,755)</u>	<u>(347,109)</u>
Profit before taxation		15,961,060	27,525,965	60,928,971
Income tax expense	9	<u>(2,394,617)</u>	<u>(4,511,684)</u>	<u>(10,325,545)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company		<u>13,566,443</u>	<u>23,014,281</u>	<u>50,603,426</u>
Basic earnings per share	10	<u>0.05</u>	<u>0.08</u>	<u>0.17</u>
Dividends	11	<u>—</u>	<u>10,500,000</u>	<u>52,456,594</u>

Combined statements of financial position

	Note	As at 31 March		
		2012 HK\$	2013 HK\$	2014 HK\$
ASSETS				
Non-current assets				
Property, plant and equipment	12	<u>7,997,507</u>	<u>16,138,560</u>	<u>33,888,119</u>
Current assets				
Trade and other receivables	13	19,311,308	42,264,910	69,084,271
Amounts due from customers for contract work	14	—	—	3,081,267
Amounts due from directors	15(a)	21,449,661	47,166,694	18,310,000
Amounts due from related companies	15(b)	10,262,538	3,252,107	—
Pledged bank deposit	16	—	—	3,055,368
Cash and bank balances	16	<u>46,367,555</u>	<u>24,613,130</u>	<u>35,101,397</u>
		<u>97,391,062</u>	<u>117,296,841</u>	<u>128,632,303</u>
Total assets		<u>105,388,569</u>	<u>133,435,401</u>	<u>162,520,422</u>
EQUITY				
Capital and reserves				
Combined capital	17	14,000,000	14,000,000	14,000,000
Reserves		<u>24,708,881</u>	<u>37,223,162</u>	<u>35,369,754</u>
Total equity		<u>38,708,881</u>	<u>51,223,162</u>	<u>49,369,754</u>
LIABILITIES				
Non-current liabilities				
Loan from a director	15(d)	18,310,000	18,310,000	18,310,000
Deferred tax liabilities	18	1,197,504	1,339,560	2,949,853
Obligations under finance leases	19	—	5,731,408	10,250,932
		<u>19,507,504</u>	<u>25,380,968</u>	<u>31,510,785</u>
Current liabilities				
Trade and other payables	20	40,448,503	41,312,875	57,557,088
Amounts due to customers for contract work	14	4,747,737	11,000,000	14,661,411
Amount due to a related company	15(c)	130,000	70,000	—
Obligations under finance leases	19	—	1,852,873	5,079,760
Provision for taxation		<u>1,845,944</u>	<u>2,595,523</u>	<u>4,341,624</u>
		<u>47,172,184</u>	<u>56,831,271</u>	<u>81,639,883</u>
Total liabilities		<u>66,679,688</u>	<u>82,212,239</u>	<u>113,150,668</u>
Total equity and liabilities		<u>105,388,569</u>	<u>133,435,401</u>	<u>162,520,422</u>
Net current assets		<u>50,218,878</u>	<u>60,465,570</u>	<u>46,992,420</u>
Total assets less current liabilities		<u>58,216,385</u>	<u>76,604,130</u>	<u>80,880,539</u>

Combined statements of changes in equity

	Share capital <i>HK\$</i>	Merger reserve <i>(Note)</i> <i>HK\$</i>	Retained earnings <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1 April 2011	14,000,000	51	11,142,387	25,142,438
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>13,566,443</u>	<u>13,566,443</u>
Balance at 31 March 2012 and 1 April 2012	14,000,000	51	24,708,830	38,708,881
Profit and total comprehensive income for the year	—	—	23,014,281	23,014,281
Dividends paid to equity holders	<u>—</u>	<u>—</u>	<u>(10,500,000)</u>	<u>(10,500,000)</u>
Balance at 31 March 2013 and 1 April 2013	14,000,000	51	37,223,111	51,223,162
Profit and total comprehensive income for the year	—	—	50,603,426	50,603,426
Dividends paid to equity holders	<u>—</u>	<u>—</u>	<u>(52,456,834)</u>	<u>(52,456,834)</u>
Balance at 31 March 2014	<u>14,000,000</u>	<u>51</u>	<u>35,369,703</u>	<u>49,369,754</u>

Note: The merger reserve of the Group represents the share capital of New Concepts Engineering Development Limited pursuant to the Group Reorganisation.

Combined statements of cash flows

	Note	Year ended 31 March		
		2012 HK\$	2013 HK\$	2014 HK\$
Cash flows from operating activities				
Profit before taxation		15,961,060	27,525,965	60,928,971
Adjustments for:				
Interest received		—	—	(2,368)
Finance costs	8	19,847	18,755	347,109
Depreciation	6	1,308,272	2,407,775	4,565,622
(Gain)/loss on disposals of property, plant and equipment		(928,800)	7,405	2,468,000
Operating profit before working capital changes		16,360,379	29,959,900	68,307,334
Movements in working capital elements:				
Increase in trade and other receivables		(8,108,139)	(22,953,602)	(26,819,361)
Decrease in amounts due from/to related companies		9,397,342	6,950,431	3,182,107
Increase in trade and other payables		26,605,131	864,372	16,244,213
Increase in amounts due from/to customers for contract work		5,247,737	6,252,263	580,144
Cash generated from operations		49,502,450	21,073,364	61,494,437
Interest paid		(19,847)	(18,755)	(347,109)
Income tax paid		—	(3,620,049)	(6,969,151)
Net cash generated from operating activities		49,482,603	17,434,560	54,178,177
Cash flows from investing activities				
Purchases of property, plant and equipment		(3,285,283)	(2,843,489)	(14,196,873)
Proceeds from disposals of property, plant and equipment		2,000,000	25,000	274,740
Decreased/(increase) in amounts due from directors	15(a)	1,259,165	(36,217,033)	(23,600,140)
Net cash used in investing activities		(26,118)	(39,035,522)	(37,522,273)
Cash flows from financing activities				
Increase in pledged bank deposits		—	—	(3,055,368)
Repayments of bank loans		(375,387)	—	—
Repayments of obligations under finance leases		—	(153,463)	(3,114,637)
Interest received		—	—	2,368
Net cash used in financing activities		(375,387)	(153,463)	(6,167,637)
Net increase/(decrease) in cash and cash equivalents		49,081,098	(21,754,425)	10,488,267
Cash and cash equivalents at beginning of the year		(2,713,543)	46,367,555	24,613,130
Cash and cash equivalents at end of the year	16	46,367,555	24,613,130	35,101,397

B. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION, CHANGES IN GROUP STRUCTURE, GROUP REORGANISATION AND BASIS OF PRESENTATION****(a) General information**

New Concepts Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 3 April 2014 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Its registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY-1108, Cayman Islands. The address of its principal place of business is located at Room 1812, Nam Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong.

The Company is an investment holding company. The Group’s subsidiaries are principally engaged in general building works, foundation works and civil engineering construction.

In the opinion of the directors of the Company, as at 31 March 2014, Prosper Power Group Ltd. (“BVI Holdco”) is the immediate and ultimate parent. The ultimate controlling party of the Company is Mr. Chu Shu Cheong (“Mr. Chu”) (“the Controlling Shareholder”). Regarding the changes in group structure and the Group Reorganisation as set out below, the general building works, foundation works and civil engineering construction of the Group (the “Listing Business”) were conducted by New Concepts Foundation Limited (“NC Foundation”) and New Concepts Engineering Development Limited (“NC Engineering”) which were beneficially owned by the Controlling Shareholder.

(b) Changes in group structure

- (1) On 21 March 2014, BVI Holdco was incorporated in the British Virgin Islands (“BVI”) with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. On 21 March 2014, each of Mr. Chu and Mr. Kwan Man Hay (“Mr. Kwan”) was allotted and issued at par 75 and 25 fully paid ordinary shares, representing 75% and 25% of the issued share capital of BVI Holdco, respectively;
- (2) On 25 March 2014, New Expansion Global Ltd. (“BVI 1”) was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued at par to BVI Holdco on 25 March 2014;
- (3) On 25 March 2014, New Expansion Holdings Ltd. (“BVI 2”) was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued at par to BVI Holdco on 25 March 2014;
- (4) On 3 April 2014, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares with a par value of HK\$0.10 per share. One Share was allotted and issued as fully paid share to the subscriber to the memorandum and articles of association of the Company, which was later transferred to BVI Holdco on 3 April 2014;
- (5) On 12 August 2014, BVI 1 as transferee and NC Foundation and New Concepts Holdings (International) Limited (“NC International”) as transferors entered into instruments of transfer and bought and sold notes, pursuant to which BVI 1 acquired:
 - (i) 10,099,949 ordinary shares (or approximately 99.99%) of NC Engineering from NC Foundation and as consideration for which 999 consideration shares of BVI 1 had been allotted and issued to BVI Holdco (as directed by NC Foundation), all credited as fully paid; and

- (ii) 51 ordinary shares (or approximately 0.0005%) of NC Engineering from NC International and as consideration for which one consideration share of BVI 1 had been allotted and issued to BVI Holdco (as directed by NC International), all credited as fully paid.

After the aforesaid share transfers, BVI 1 held an aggregate of 10,100,000 ordinary shares, being the entire issued share capital of NC Engineering, and NC Engineering became a wholly-owned subsidiary of BVI 1.

- (6) On 12 August 2014, BVI 2 as transferee and Mr. Chu, Mr. Kwan and NC International as transferors entered into instruments of transfer and bought and sold notes, pursuant to which BVI 2 acquired:
 - (i) 6,020,000 ordinary shares (or 43%) of NC Foundation from Mr. Chu and as consideration for which 430 consideration shares of BVI 2 had been allotted and issued to BVI Holdco (as directed by Mr. Chu), all credited as fully paid;
 - (ii) 3,500,000 ordinary shares (or 25%) of NC Foundation from Mr. Kwan and as consideration for which 250 consideration shares of BVI 2 had been allotted and issued to BVI Holdco (as directed by Mr. Kwan), all credited as fully paid; and
 - (iii) 4,480,000 ordinary shares (or 32%) of NC Foundation from NC International and as consideration for which 320 consideration shares of BVI 2 had been allotted and issued to BVI Holdco (as directed by NC International), all credited as fully paid.

After the aforesaid share transfers, BVI 2 held an aggregate of 14,000,000 ordinary shares, being the entire issued share capital of NC Foundation, and NC Foundation became a wholly-owned subsidiary of BVI 2.

- (7) On 13 August 2014, BVI Holdco as vendor and warrantor, Mr. Chu as warrantor and the Company as purchaser entered into a sale and purchase agreement, pursuant to which the Company agreed to acquire (i) the entire issued share capital of BVI 1 and as consideration for which 2,299 Shares were allotted and issued to BVI Holdco, credited as fully paid, which was determined with reference to the net asset value as at 31 March 2014 of NC Engineering, and (ii) the entire issued share capital of BVI 2 and as consideration for which 7,700 Shares were allotted and issued to BVI Holdco, credited as fully paid, which was determined with reference to the net asset value as at 31 March 2014 of NC Foundation.

(c) Group reorganisation

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange, the Company completed Reorganisation on 13 August 2014. On 13 August 2014, BVI Holdco as vendor and warrantor, Mr. Chu as warrantor and the Company as purchaser entered into a sale and purchase agreement, pursuant to which the Company agreed to acquire (i) the entire issued share capital of BVI 1 and as consideration for which 2,299 Shares were allotted and issued to BVI Holdco, credited as fully paid, which was determined with reference to the net asset value as at 31 March 2014 of NC Engineering, and (ii) the entire issued share capital of BVI 2 and as consideration for which 7,700 Shares were allotted and issued to BVI Holdco, credited as fully paid, which was determined with reference to the net asset value as at 31 March 2014 of NC Foundation.

Immediately after completion of the share transfers above, the Company became the holding company of the Group.

Upon completion of the Reorganisation and up to the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name	Place of Incorporation	Date of Incorporation	Principal activities and place of operation	Issued and fully paid share capital	Equity interest held
Directly held:					
BVI 1 (<i>note i</i>)	British Virgin Islands	25 March 2014	Investment holding	US\$1,001	100%
BVI 2 (<i>note i</i>)	British Virgin Islands	25 March 2014	Investment holding	US\$1,001	100%
Indirectly held:					
NC Foundation (<i>note ii</i>)	Hong Kong	10 September 1997	General building and foundation in Hong Kong	HK\$14,000,000	100%
NC Engineering (<i>note ii</i>)	Hong Kong	30 July 1996	Civil engineering works and general building in Hong Kong	HK\$10,100,000	100%

Notes

- (i) No audited financial statements have been prepared for BVI 1 and BVI 2 as they are not required under the statutory requirement of their place of incorporation.
- (ii) The statutory financial statements of NC Foundation and NC Engineering for the years ended 31 March 2012, 2013 and 2014 have been prepared in accordance with HKFRSs. We have audited the statutory financial statements of NC Foundation and NC Engineering for the years ended 31 March 2012, 2013 and 2014 in accordance with HKSA.

(d) Basis of presentation

The Financial Information is prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

Pursuant to the Group Reorganisation as described in Note 1(c) of Section B headed “Group reorganisation” above, the Reorganisation has not resulted in any change of economic substance of the underlying business conducted by NC Foundation and NC Engineering or the ultimate ownership of such business. Accordingly, the combined statements of financial position, the combined statements of profit or loss and other comprehensive income, the combined statements of cash flows and the combined statements of changes in equity of the Group for the Relevant Periods have been prepared using the financial information of the companies now comprising the Group for the Relevant Periods as if the current group structure had been in existence throughout the Relevant Periods, or since the date when the combining companies first came under the control of the Controlling Shareholder, whichever is a shorter period. The net assets and results of the Group were combined using the existing book values.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs, (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA. In addition, the Financial Information of the Group includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The Financial Information had been prepared under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4 below.

Adoption of new and revised HKFRSs

During the Relevant Periods, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2013.

New and revised HKFRSs in issue but not yet effective

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ²
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁵
Amendments to HKAS 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortization ⁴
Amendments to HKAS 16 and 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK (IFRIC) — Int 21	Levies ¹
Amendments to HKFRSs	Annual Improvement 2010–2012 Cycle ³
Amendments to HKFRSs	Annual Improvement 2011–2013 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

- ³ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
- ⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- ⁵ Effective for annual periods beginning on or after 1 January 2007, with earlier application permitted.

The Group has commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amount reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the result 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.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information are presented in HK\$, which is the Company's functional and presentation currency.

(ii) Translation and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

The results and financial position of all companies now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;
- (b) income and expenses are translated at average exchange rates (unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operation, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, at the following annual rates:

Furniture and office equipment	25%
Motor vehicles	10–25%
Plant and machinery	10–25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets acquired under hire purchase arrangements are depreciated over their expected useful lives on the same basis as owned assets. Other assets held under finance leases are depreciated over the shorter of their lease terms or useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment, representing the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the profit or loss.

2.6 Impairment of assets

At the end of each 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 indicator exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

2.7 Financial instruments

2.7.1 Financial assets

(i) Classification

The Group classified its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, amounts due from directors, amounts due from related companies and cash and bank balances in the statement of financial position.

(iii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the 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 financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

2.7.2 Financial liabilities

Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by the Group's entities 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.

Financial liabilities and equity instruments

(ii) 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.7.3 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2.7.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.8 Construction contracts in progress

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.9 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three

months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined statement of cash flows.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issued of new shares and share options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

2.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payable are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which they are stated at cost.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn-down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after end of the reporting period.

2.14 Current and deferred income tax

The tax expense for the year comprises current and deferred tax and is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax*Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Employee benefits**(i) Retirement benefit cost**

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.16 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

(i) *Construction contracts income*

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Contract costs are recognised when incurred.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

(ii) *Rental income on machinery*

Machine rental income is recognised on a straight-line basis over the term of the lease.

(iii) Management fee income is recognised when services are rendered.

(iv) Income from sales of materials is recognised when goods are delivered and the customers assume the risks and rewards of ownership.

(v) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

2.18 Leases

(i) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated at the shorter of useful life and the lease term.

(ii) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownerships of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) recognised as an expense on the straight-line basis over the relevant lease terms.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.20 Related parties

For the purpose of this Financial Information, a related party is a person or entity that is related to the Group.

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity is member of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.

- (iv) One entity is a joint venture of a third party and the other entity is an associate of the same third party or vice versa.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.21 Financial instruments

Categories of the Group's financial instruments

	As at 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<u>Financial assets</u>			
Loans and receivables (including cash and cash equivalents):			
Trade and other receivables	19,311,308	42,264,910	69,084,271
Amounts due from directors	21,449,661	47,166,694	18,310,000
Amounts due from related companies	10,262,538	3,252,107	—
Pledged bank deposit	—	—	3,055,368
Cash and bank balances	<u>46,367,555</u>	<u>24,613,130</u>	<u>35,101,397</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost:			
Trade and other payables	40,448,503	41,312,875	57,557,088
Amount due to a related company	130,000	70,000	—
Loan from a director	<u>18,310,000</u>	<u>18,310,000</u>	<u>18,310,000</u>

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the Group's senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

3.1 Financial risk factors

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

The Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits. These bank deposits bear interests at floating rates varied with the then prevailing market condition.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities during the Relevant Periods, its income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from customers for contract work, amounts due from related parties and cash at banks. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivable, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2012, 2013 and 2014, there were 2, 2 and 2 customers which individually contributed over 10% of the Group's trade and other receivables, respectively. The aggregate amount of trade and other receivables from these customers amounted to 80% 91% and 81% of the Group's total trade and other receivables, respectively.

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

The Group maintains its liquidity mainly through funding generated from its daily operations and maintaining funding availability under committed credit facilities.

Accordingly, the directors consider that the liquidity risk is minimal.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year <i>HK\$</i>	More than 1 year but less than 5 years <i>HK\$</i>	More than 5 years <i>HK\$</i>	Total contractual undiscounted cash flow <i>HK\$</i>	Carrying amount <i>HK\$</i>
At 31 March 2012					
Trade and other payables	40,448,503	—	—	40,448,503	40,448,503
Amount due to a related company	130,000	—	—	130,000	130,000
Loan from a director	—	18,310,000	—	18,310,000	18,310,000
	<u>40,578,503</u>	<u>18,310,000</u>	<u>—</u>	<u>58,888,503</u>	<u>58,888,503</u>
At 31 March 2013					
Trade and other payables	41,312,875	—	—	41,312,875	41,312,875
Amount due to a related company	70,000	—	—	70,000	70,000
Obligation under finance lease	2,055,237	5,993,624	—	8,048,861	7,584,281
Loan from a director	—	18,310,000	—	18,310,000	18,310,000
	<u>43,438,112</u>	<u>24,303,624</u>	<u>—</u>	<u>67,741,736</u>	<u>67,277,156</u>
At 31 March 2014					
Trade and other payables	57,557,088	—	—	57,557,088	57,557,088
Obligations under finance leases	5,491,110	10,613,487	—	16,104,597	15,330,692
Loan from a director	—	18,310,000	—	18,310,000	18,310,000
	<u>63,048,198</u>	<u>28,923,487</u>	<u>—</u>	<u>91,971,685</u>	<u>91,197,780</u>

(e) Fair values

The carrying amount of the Group's financial assets and financial liabilities as reflected in the combined statements of financial position approximate their respective fair values.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, raise or repay bank borrowings, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings net of cash and cash equivalents divided by total equity as shown in the combined statement of financial position.

The gearing ratios during the Relevant Periods are as follows:

The Group's total borrowings include the following:

	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Total borrowings (<i>note 19</i>)	—	7,584,281	15,330,692
Total equity	38,708,881	51,223,162	49,369,754
Net debt to equity ratio	Nil	15%	31%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Estimate of useful lives and impairment of property, plant and equipment

The Group has significant amount of property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse

changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgment is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

4.2 Revenue of construction contracts

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. The provision for claims is determined on the basis of the delay in the number of workdays of the completion of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic review of the provisioning amount.

Significant judgment is required in estimating the contract revenue, contract costs, variation works and provision for claims which may have an impact in terms of percentage of completion and profit taken.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

4.3 Impairment of receivables

Management determines the provision for impairment of trade and other receivables and amounts due from customers for contract work. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgment is exercised on the assessment of the collectability of receivables from each customer. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. REVENUE AND SEGMENT INFORMATION

Turnover represents the revenue derived from foundation works, civil engineering construction and general building works are as follows:

	Year ended 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Foundation works	79,443,478	34,157,382	81,945,500
Civil engineering construction	108,746,649	98,101,307	65,149,497
General building works	<u>2,668,245</u>	<u>98,166,350</u>	<u>315,925,591</u>
	<u>190,858,372</u>	<u>230,425,039</u>	<u>463,020,588</u>

Information reported to the executive directors of the Company, being the CODM, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

The Group's operating and reportable segments currently are (i) foundation works; (ii) civil engineering construction and (iii) general building works. The CODM considered the Group has three operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2012

	Foundation works HK\$	Civil engineering construction HK\$	General building works HK\$	Total HK\$
Segment Revenue	<u>79,443,478</u>	<u>108,746,649</u>	<u>2,668,245</u>	<u>190,858,372</u>
Segment Cost	<u>63,965,518</u>	<u>105,619,583</u>	<u>1,434,247</u>	<u>171,019,348</u>
Segment Profit	<u>15,477,960</u>	<u>3,127,066</u>	<u>1,233,998</u>	<u>19,839,024</u>
Unallocated — other income and net gains				9,341,779
Unallocated expenses				(13,199,896)
Finance costs				<u>(19,847)</u>
Profit before taxation				15,961,060
Income tax expense				<u>(2,394,617)</u>
Profit for the year				<u>13,566,443</u>

For the year ended 31 March 2013

	Foundation works HK\$	Civil engineering construction HK\$	General building works HK\$	Total HK\$
Segment Revenue	<u>34,157,382</u>	<u>98,101,307</u>	<u>98,166,350</u>	<u>230,425,039</u>
Segment Cost	<u>21,678,678</u>	<u>94,131,587</u>	<u>77,707,471</u>	<u>193,517,736</u>
Segment Profit	<u>12,478,704</u>	<u>3,969,720</u>	<u>20,458,879</u>	<u>36,907,303</u>
Unallocated — other income and net gains				6,041,679
Unallocated expenses				(15,404,262)
Finance costs				<u>(18,755)</u>
Profit before taxation				27,525,965
Income tax expense				<u>(4,511,684)</u>
Profit for the year				<u>23,014,281</u>

For the year ended 31 March 2014

	Foundation works HK\$	Civil engineering construction HK\$	General building works HK\$	Total HK\$
Segment Revenue	<u>81,945,500</u>	<u>65,149,497</u>	<u>315,925,591</u>	<u>463,020,588</u>
Segment Cost	<u>59,193,216</u>	<u>62,671,941</u>	<u>255,986,875</u>	<u>377,852,032</u>
Segment Profit	<u>22,752,284</u>	<u>2,477,556</u>	<u>59,938,716</u>	<u>85,168,556</u>
Unallocated — other income and net gains				11,154,557
Unallocated expenses				(35,047,033)
Finance costs				<u>(347,109)</u>
Profit before taxation				60,928,971
Income tax expense				<u>(10,325,545)</u>
Profit for the year				<u>50,603,426</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.

Segment profit represents the profit earned by each segment without allocation of corporate management expenses, directors' emoluments, finance costs, income tax expense, unallocated income and net gains, and expenses. This is measure reported to the CODM for the purposes of resource allocation and performance assessment.

All of the segment revenue reported above is from external customers.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Foundation works	19,883,762	16,247,442	51,689,605
Civil engineering construction	3,616,523	8,146,435	8,234,257
General building works	<u>430,309</u>	<u>21,475,250</u>	<u>19,612,114</u>
Total segment assets	<u>23,930,594</u>	<u>45,869,127</u>	<u>79,535,976</u>
Unallocated property, plant and equipment	1,856,907	1,978,298	1,391,956
Other receivables	1,521,314	10,556,045	25,125,725
Amounts due from directors	21,449,661	47,166,694	18,310,000
Amounts due from related companies	10,262,538	3,252,107	—
Pledged bank deposit	—	—	3,055,368
Cash and bank balances	<u>46,367,555</u>	<u>24,613,130</u>	<u>35,101,397</u>
Consolidated assets	<u>105,388,569</u>	<u>133,435,401</u>	<u>162,520,422</u>

Segment Liabilities

	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Foundation works	11,124,888	12,065,017	27,928,003
Civil engineering construction	33,068,517	16,609,921	4,024,638
General building works	<u>—</u>	<u>28,385,629</u>	<u>48,941,280</u>
Total segment liabilities	<u>44,193,405</u>	<u>57,060,567</u>	<u>80,893,921</u>
Other payables	1,002,835	2,836,589	6,655,270
Amount due to a related company	130,000	70,000	—
Loan from a director	18,310,000	18,310,000	18,310,000
Provision for taxation	1,845,944	2,595,523	4,341,624
Deferred tax liabilities	<u>1,197,504</u>	<u>1,339,560</u>	<u>2,949,853</u>
Consolidated liabilities	<u>66,679,688</u>	<u>82,212,239</u>	<u>113,150,668</u>

Segment assets represent certain property, plant and equipment, trade and retention receivables, and amounts due from customers for contract work which are directly attributable to the relevant operating and reportable segment. Segment liabilities represent trade and retention payables, obligations under finance leases and amounts due to customers for contract work which are directly attributable to the relevant operating and reportable segment. These are the measures reported to CODM for the purpose of resource allocation and assessment of segment performance.

(c) Other segment information

For the year ended 31 March 2014

	Foundation works <i>HK\$</i>	Civil engineering construction <i>HK\$</i>	General building works <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Amounts included in the measure to segment profit:					
Depreciation and amortisation	3,646,809	354,200	—	564,613	4,565,622
Loss on disposal of property, plant and equipment	<u>2,468,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,468,000</u>

For the year ended 31 March 2013

	Foundation works <i>HK\$</i>	Civil engineering construction <i>HK\$</i>	General building works <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Amounts included in the measure to segment profit:					
Depreciation and amortisation	1,649,518	188,000	—	570,257	2,407,775
Loss on disposal of property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,405</u>	<u>7,405</u>

For the year ended 31 March 2012

	Foundation works <i>HK\$</i>	Civil engineering construction <i>HK\$</i>	General building works <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Amounts included in the measure to segment profit:					
Depreciation and amortisation	714,899	188,000	—	405,373	1,308,272
Gain on disposal of property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>928,800</u>	<u>928,800</u>

(d) Information about major customers

For the years ended 31 March 2012, 2013 and 2014, there were 2, 2 and 2 customer(s) who individually contributed over 10% of the Group's revenue, respectively. The aggregate amount of revenue from these customers accounted for 80%, 91% and 81% of the Group's total revenue, respectively. Revenue from customers of the corresponding years contributing over 10% of the total revenue is as follows:

	Year ended 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Customer B	50,678,403	113,312,350	308,573,753
Customer A	<u>102,676,445</u>	<u>97,338,574</u>	<u>65,149,497</u>

(e) Geographical information

No geographical information is presented for the Group's business segment as the Group is principally engaged projects in Hong Kong.

(f) Other income and net gains

	Year ended 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Machine rental income	788,700	167,800	10,672,831
Management fee income	5,675,589	4,541,915	431,333
Sales of materials	1,729,154	320,063	31,817
Gain on disposal of property, plant and equipment	928,800	—	—
Rebate income	—	744,000	—
Bank interest income	—	—	2,368
Sundry income	<u>219,536</u>	<u>267,901</u>	<u>16,208</u>
	<u>9,341,779</u>	<u>6,041,679</u>	<u>11,154,557</u>

6. EXPENSES BY NATURE

	Year ended 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Cost of sales			
Consulting fee	798,466	268,000	2,532,834
Direct materials	6,631,776	21,585,928	25,372,237
Direct salaries and wages	7,592,901	8,703,518	13,377,576
Government levy charges	612,028	1,934,579	2,846,592
Management services fee	415,000	163,250	—
Provident fund contributions	521,295	358,480	455,457
Rental charge for machinery	581,648	1,493,705	2,356,353
Site insurance	1,503,444	6,434,574	1,138,039
Site office expenses	379,409	670,812	967,514
Site vehicle running expenses	9,170	8,759	13,014
Subcontracting charges	<u>151,974,211</u>	<u>151,896,131</u>	<u>328,792,416</u>
	<u>171,019,348</u>	<u>193,517,736</u>	<u>377,852,032</u>
Administrative expenses			
Building management fee	64,880	122,596	159,209
Staff cost not including directors' emoluments	1,733,511	2,428,642	6,525,875
Directors' emoluments (<i>note 7</i>)	594,000	896,000	1,480,000
Operating lease rental on premises	270,000	487,335	828,000
Provision for long service payments (<i>note 20b</i>)	—	548,209	(33,653)
Other expenses	<u>85,983</u>	<u>96,506</u>	<u>248,355</u>
	<u>2,748,374</u>	<u>4,579,288</u>	<u>9,207,786</u>
Other operating expenses			
Auditor's remuneration	162,000	160,000	500,000
Depreciation (<i>note 12</i>)	1,308,272	2,407,775	4,565,622
Travelling	299,794	560,768	1,237,231
Insurance	32,020	33,280	18,279
Loss on disposal of property, plant and equipment	—	7,405	2,468,000
Listing expenses	—	—	4,516,020
Salaries and wages	5,182,405	4,795,789	1,184,643
Provident fund contributions	16,790	193,942	51,861
Rental charge for machinery	32,479	166,398	3,218,929
Consulting fee	1,010,000	931,800	3,800,600
Other expenses	<u>2,407,762</u>	<u>1,567,817</u>	<u>4,278,062</u>
	<u>10,451,522</u>	<u>10,824,974</u>	<u>25,839,247</u>

7. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments of each director for the year ended 31 March 2012 is set out below:

Name	Fee <i>HK\$</i>	Salaries <i>HK\$</i>	Contribution to retirement benefits scheme <i>HK\$</i>	Total <i>HK\$</i>
Executive directors:				
Chu Shu Cheong	—	504,000	12,000	516,000
Kwan Man Hay (<i>note i</i>)	—	75,000	3,000	78,000
So King Shing	—	—	—	—
Independent non-executive director:				
Choy Wai Shek, Raymond, <i>MH, JP</i> (<i>Note ii</i>)	—	—	—	—
	<u>—</u>	<u>579,000</u>	<u>15,000</u>	<u>594,000</u>

The emoluments of each director for the year ended 31 March 2013 is set out below:

Name	Fee <i>HK\$</i>	Salaries <i>HK\$</i>	Contribution to retirement benefits scheme <i>HK\$</i>	Total <i>HK\$</i>
Executive directors:				
Chu Shu Cheong	—	504,000	14,500	518,500
Kwan Man Hay (<i>Note i</i>)	—	300,000	14,500	314,500
So King Shing	—	—	—	—
Independent non-executive director:				
Choy Wai Shek, Raymond, <i>MH, JP</i> (<i>Note ii</i>)	—	60,000	3,000	63,000
	<u>—</u>	<u>864,000</u>	<u>32,000</u>	<u>896,000</u>

The remuneration of each director for the year ended 31 March 2014 is set out below:

Name	Fee <i>HK\$</i>	Salaries <i>HK\$</i>	Contribution to retirement benefits scheme <i>HK\$</i>	Total <i>HK\$</i>
Executive directors:				
Chu Shu Cheong	—	720,000	15,000	735,000
Kwan Man Hay (<i>Note i</i>)	—	475,000	15,000	490,000
So King Shing	—	—	—	—
Independent non-executive director:				
Choy Wai Shek, Raymond, <i>MH, JP</i> (<i>Note ii</i>)	—	240,000	15,000	255,000
	—	1,435,000	45,000	1,480,000

During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Relevant Periods.

Notes:

- (i) Kwan May Hay was appointed as a director of a subsidiary of the Group on 1 January 2012.
- (ii) Choy Wai Shek, Raymond, *MH, JP* joined the Group on 1 January 2013.

(b) Five highest paid individuals' remuneration

The five highest paid individuals of the Group during the years ended 31 March 2012, 2013 and 2014 included one, one and one director respectively whose emoluments are reflected in the analysis presented above.

The emoluments of the remaining four, four and four individuals during the Relevant Periods are as follows:

	Year ended 31 March		
	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>
Salaries and other benefits	1,858,500	2,020,200	2,565,088
Contribution to retirement benefits scheme	48,000	70,000	54,225
	<u>1,906,500</u>	<u>2,090,200</u>	<u>2,619,313</u>

The emoluments of each of the above highest paid individuals during the Relevant Periods were within the band of HK\$nil to HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group. No such emoluments were agreed to be waived by the relevant individuals.

8. FINANCE COSTS

	Year ended 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Repayable within five years			
Interest on bank overdrafts	16,502	948	6,167
Finance lease charges	<u>3,345</u>	<u>17,807</u>	<u>340,942</u>
	<u>19,847</u>	<u>18,755</u>	<u>347,109</u>

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Relevant Periods.

	Year ended 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Current tax — Hong Kong profits tax	1,845,944	4,369,628	8,715,252
Deferred income tax (<i>note 18</i>)	<u>548,673</u>	<u>142,056</u>	<u>1,610,293</u>
Income tax expenses	<u>2,394,617</u>	<u>4,511,684</u>	<u>10,325,545</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Profit before taxation	<u>15,961,060</u>	<u>27,525,965</u>	<u>60,928,971</u>
Calculated at a tax rate of 16.5%	2,633,575	4,541,783	10,053,280
Tax effect of non-taxable revenue	(153,252)	(24,000)	(572,456)
Tax effect of non-deductible expenses	—	845	720,616
Tax effect of temporary differences not recognised	465,826	(6,944)	124,105
Utilisation of previously unrecognised tax losses	<u>(551,532)</u>	<u>—</u>	<u>—</u>
	<u>2,394,617</u>	<u>4,511,684</u>	<u>10,325,545</u>

10. EARNINGS PER SHARE — BASIC

The calculation of basic earnings per share for the Relevant Period is based on the combined profit attributable to the equity holders of the Company for the Relevant Period and on the assumption that 300,000,000 shares of the Company were in issue throughout the entire Relevant Period pursuant to the capitalisation issue as detailed in the subsection headed “A. Further information about our Company and our Group — 4. Corporate reorganisation” in Appendix IV to the Prospectus.

No diluted earnings per share is presented for the Relevant Period as the Company did not have any dilutive potential ordinary shares during the Relevant Period.

11. DIVIDEND

The dividends paid by the Company’s subsidiary to its then shareholders during Relevant Periods was as follows.

	Year ended 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Interim dividend (<i>Note</i>)	—	10,500,000	52,456,834

During the year ended 31 March, 2013 and 31 March 2014, the Group declared and paid an interim dividend of HK\$10,500,000 and HK\$52,456,834 respectively to its shareholders.

Note: The dividend was paid by a subsidiary of the Company, NC Engineering, to its then shareholders (note 21(b)).

12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Furniture and office equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$
Cost				
At 1 April 2011	11,315,800	376,269	2,792,851	14,484,920
Additions	3,280,000	5,283	—	3,285,283
Disposals	(2,324,000)	(1,600)	—	(2,325,600)
At 31 March 2012	<u>12,271,800</u>	<u>379,952</u>	<u>2,792,851</u>	<u>15,444,603</u>
Accumulated depreciation				
At 1 April 2011	6,482,301	193,583	717,340	7,393,224
Charge for the year	902,899	61,888	343,485	1,308,272
Written back on disposals	(1,254,000)	(400)	—	(1,254,400)
At 31 March 2012	<u>6,131,200</u>	<u>255,071</u>	<u>1,060,825</u>	<u>7,447,096</u>
Carrying amount	<u>6,140,600</u>	<u>124,881</u>	<u>1,732,026</u>	<u>7,997,507</u>

	Plant and machinery <i>HK\$</i>	Furniture and office equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
Cost				
At 1 April 2012	12,271,800	379,952	2,792,851	15,444,603
Additions	9,857,180	674,053	50,000	10,581,233
Disposals	<u>—</u>	<u>(144,510)</u>	<u>—</u>	<u>(144,510)</u>
At 31 March 2013	<u>22,128,980</u>	<u>909,495</u>	<u>2,842,851</u>	<u>25,881,326</u>
Accumulated depreciation				
At 1 April 2012	6,131,200	255,071	1,060,825	7,447,096
Charge for the year	1,837,518	214,272	355,985	2,407,775
Written back on disposals	<u>—</u>	<u>(112,105)</u>	<u>—</u>	<u>(112,105)</u>
At 31 March 2013	<u>7,968,718</u>	<u>357,238</u>	<u>1,416,810</u>	<u>9,742,766</u>
Carrying amount	<u>14,160,262</u>	<u>552,257</u>	<u>1,426,041</u>	<u>16,138,560</u>
Cost				
At 1 April 2013	22,128,980	909,495	2,842,851	25,881,326
Additions	24,804,910	239,011	14,000	25,057,921
Disposals	<u>(4,103,800)</u>	<u>(46,454)</u>	<u>(686,851)</u>	<u>(4,837,105)</u>
At 31 March 2014	<u>42,830,090</u>	<u>1,102,052</u>	<u>2,170,000</u>	<u>46,102,142</u>
Accumulated depreciation				
At 1 April 2013	7,968,718	357,238	1,416,810	9,742,766
Charge for the year	4,001,009	273,813	290,800	4,565,622
Written back on disposals	<u>(1,635,800)</u>	<u>(46,455)</u>	<u>(412,110)</u>	<u>(2,094,365)</u>
At 31 March 2014	<u>10,333,927</u>	<u>584,596</u>	<u>1,295,500</u>	<u>12,214,023</u>
Carrying amount	<u>32,496,163</u>	<u>517,456</u>	<u>874,500</u>	<u>33,888,119</u>

The carrying amount of plant and machinery amounted HK\$ Nil, HK\$8,704,962 and HK\$20,863,131 were assets held under finance lease as at 31 March 2012, 2013 and 2014 respectively.

13. TRADE AND OTHER RECEIVABLES

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Contract receivables (<i>note a</i>)	6,336,414	27,887,303	38,014,878
Retention receivables (<i>note b</i>)	<u>11,781,711</u>	<u>13,203,827</u>	<u>29,174,508</u>
Total trade receivables	18,118,125	41,091,130	67,189,386
Other receivable, deposit and prepayments	<u>1,193,183</u>	<u>1,173,780</u>	<u>1,894,885</u>
	<u><u>19,311,308</u></u>	<u><u>42,264,910</u></u>	<u><u>69,084,271</u></u>

(a) Contract receivables

It represents progress billings receivables from the contract works. During the Relevant Periods, credit period granted to the Group's customers generally within 30 days from invoice date of the relevant contract revenue. Contract receivables are denominated in HK\$.

The aging analysis of contract receivables based on invoice date is as follows:

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
0–30 days	40,224	17,705,421	18,814,904
31–60 days	2,307,700	9,804,600	19,199,974
61–90 days	430,309	—	—
Over 90 days	<u>3,558,181</u>	<u>377,282</u>	<u>—</u>
	<u><u>6,336,414</u></u>	<u><u>27,887,303</u></u>	<u><u>38,014,878</u></u>

As at 31 March 2012, 2013 and 2014, contract receivables of HK\$6,296,190, HK\$377,282 and HK\$Nil respectively were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these contract receivables based on due date is as follows:

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
0–30 days	2,738,009	—	—
31–60 days	—	—	—
61–90 days	3,222,000	—	—
Over 90 days	<u>336,181</u>	<u>377,282</u>	<u>—</u>
	<u><u>6,296,190</u></u>	<u><u>377,282</u></u>	<u><u>—</u></u>

(b) Retention receivables were not past due as at 31 March 2012, 2013 and 2014. They are settled in accordance with the terms of respective contracts. Retention receivables are denominated in HK\$.

14. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 March		
	2012 HK\$	2013 HK\$	2014 HK\$
Cost plus attributable profits less foreseeable losses	259,148,210	282,353,333	610,130,469
Less: progress billing to date	<u>(263,895,947)</u>	<u>(293,353,333)</u>	<u>(621,710,613)</u>
	<u>(4,747,737)</u>	<u>(11,000,000)</u>	<u>(11,580,144)</u>
Analysed for reporting purposes as:			
Amounts due from customers for contract work	—	—	3,081,267
Amounts due to customers for contract work	<u>(4,747,737)</u>	<u>(11,000,000)</u>	<u>(14,661,411)</u>
	<u>(4,747,737)</u>	<u>(11,000,000)</u>	<u>(11,580,144)</u>

There were no advances received from customers for contract work as at 31 March 2012, 2013, 2014. Progress billing to date include retention receivables of HK\$11,781,711, HK\$13,203,827 and HK\$29,174,508 as at 31 March 2012, 2013 and 2014 respectively.

15. RELATED PARTY TRANSACTIONS

(a) Amounts due from directors

	As at 31 March			Maximum amount outstanding during the year		
	2012 HK\$	2013 HK\$	2014 HK\$	2012 HK\$	2013 HK\$	2014 HK\$
Directors						
Mr. Chu	20,941,661	47,166,694	18,310,000	31,183,633	52,102,308	79,995,168
Mr. Kwan	<u>508,000</u>	<u>—</u>	<u>—</u>	<u>508,000</u>	<u>4,428,000</u>	<u>1,984,535</u>
	<u>21,449,661</u>	<u>47,166,694</u>	<u>18,310,000</u>			

The amounts due are unsecured, interest-free and repayable on demand.

(b) Amounts due from related companies

Name of related companies	As at 31 March			Maximum amount outstanding during the year		
	2012	2013	2014	2012	2013	2014
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
New Concepts Builders Limited	6,961,879	—	—	9,178,248	6,961,879	—
Sumiya Holdings Limited	1,846,705	3,252,107	—	1,846,705	3,252,107	—
Man Wah New Concepts Equipment Limited	1,443,954	—	—	1,443,954	1,443,954	—
Sinoway Overseas Limited	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>25,000</u>	<u>10,000</u>	<u>—</u>
	<u>10,262,538</u>	<u>3,252,107</u>	<u>—</u>			

The amounts due are unsecured, interest-free and repayable on demand.

Mr. Chu, a director of the Company, was also a director and had beneficiary interest in New Concepts Builders Limited and Man Wah New Concepts Equipment Limited. Mr. Chu disposed of all his shareholding interest in New Concepts Builders Limited to Chiu Kwai Hung (“KH Chiu”), an Independent Third Party (except being an ex-employee of NC Foundation), on 16 January 2014. Mr. Chu disposed of all his shareholding interest in Man Wah New Concepts Equipment Limited to KH Chiu on 22 January 2014.

Mr. Kwan, a director of the Company, is also a director and has beneficiary interest in Sumiya Holdings Limited and Sinoway Overseas Limited.

(c) Amount due to a related company

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
K.S. So & Associates Limited	<u>130,000</u>	<u>70,000</u>	<u>—</u>

The amount due is unsecured, interest-free and repayable on demand.

Mr. So Kin Shing, a director of the Company, is also a director and has beneficiary interest in the above related company.

(d) Loan from a director

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Mr. Chu	<u>18,310,000</u>	<u>18,310,000</u>	<u>18,310,000</u>

The amount due is unsecured, interest-free and no fixed repayment terms.

(e) Related parties transaction

Name of related party	Nature of transaction	Year ended 31 March		
		2012 HK\$	2013 HK\$	2014 HK\$
<u>Related companies</u>				
Sumiya Holdings Limited (note ii)	Management fee income	1,723,031	4,138,914	—
	Machine rental income	45,000	135,000	—
	Transportation and disposal of excavated materials income	—	148,474	—
	Sundry income	94,276	—	—
	Management fee paid	—	43,250	—
	Direct materials paid	—	374,791	—
	K.S. So & Associates Limited (note iii)	Management fee income	3,000	3,000
	Consultancy fee paid	560,000	540,000	540,000
Altai Construction Limited (note iv)	Management fees paid	—	120,000	—
	Consultancy fee paid	—	—	210,000
Carland Development Limited (note v)	Consultancy fee paid	90,000	—	—
New Concepts Construction Company Limited (note vi)	Machine rental income	—	—	6,536,011

- (i) The above transactions with the Group's related companies during the Relevant Periods were entered into at terms mutually agreed between both parties.
- (ii) Mr. Kwan, a director of the Company, is also director of and has beneficial interest in Sumiya Holdings Limited. He was appointed as a director of a subsidiary of the Group on 1 January 2012.
- (iii) Mr. So Kin Shing, a director of the Company, is also director of and has beneficial interest in K.S. So & Associates Limited.
- (iv) Mr. Kwan, a director of the Company, is also director of Altai Construction Limited. He was appointed as a director of a subsidiary of the Group on 1 January 2012.
- (v) Mr. Chow Ting Ngok, Andrew, a director of the Company, is also director of and has beneficial interest in Carland development Limited. He resigned on 15 July 2011.
- (vi) Mr. Chu, a director of the Company, was also director of and had beneficial interest in New Concepts Construction Company Limited, which was dissolved by way of shareholders' resolution on 31 March 2014.
- (vii) The directors are the key management personal of the Company. Details of their remuneration are disclosed in note 7 to the financial statements.
- (viii) Details of balances with related parties at the end of the reporting period are set out in the statement of financial position and notes 15(a) to 15(d).

16. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Cash and bank balances	<u>46,367,555</u>	<u>24,613,130</u>	<u>35,101,397</u>
Pledged bank deposit (<i>note</i>)	<u>—</u>	<u>—</u>	<u>3,055,368</u>

Note: Pledged bank deposit represents a deposit pledged to bank to secure banking facilities granted to the Group as at 31 March 2014.

The carrying amounts of the cash and cash equivalents are denominated in Hong Kong dollars.

The bank balances and pledged bank deposit are deposited with creditworthy banks with no recent history of default. The deposit is in HK\$ and at the interest rate of 0.23% as at 31 March 2014.

17. COMBINED CAPITAL

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Combined capital	<u>14,000,000</u>	<u>14,000,000</u>	<u>14,000,000</u>

The share capital as presented in the combined statements of financial position as at 31 March 2012, 2013 and 2014 and prior to the Reorganisation represents the authorised, issued and fully paid share capital of NC Foundation, a subsidiary of the Company, of HK\$14,000,000.

The Company was incorporated in the Cayman Islands as an exempted company on 3 April 2014 with an authorised share capital of HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each, of which one Share was allotted and issued as fully paid share to the subscriber to the memorandum and articles of association of the Company, which was later transferred to BVI Holdco on 3 April 2014.

18. DEFERRED TAX LIABILITIES

The following are the major deferred liabilities recognised by the Group.

	Accelerated tax depreciation <i>HK\$</i>	Provision <i>HK\$</i> <i>(Note)</i>	Total <i>HK\$</i>
At 1 April 2011	(648,831)	—	(648,831)
Charge to profit or loss for the year (<i>note 9</i>)	<u>(548,673)</u>	<u>—</u>	<u>(548,673)</u>
At 31 March 2012	(1,197,504)	—	(1,197,504)
Charge to profit or loss for the year (<i>note 9</i>)	<u>(336,461)</u>	<u>194,405</u>	<u>(142,056)</u>
At 31 March 2013	(1,533,965)	194,405	(1,339,560)
Charge to profit or loss for the year (<i>note 9</i>)	<u>(1,571,758)</u>	<u>(38,535)</u>	<u>(1,610,293)</u>
At 31 March 2014	<u>(3,105,723)</u>	<u>155,870</u>	<u>(2,949,853)</u>

Note: Provision represents the temporary differences of provision for certain expenses (including provision for long services payment, provision for annual leaves) made by the Group that would only be tax deductible when these expenses are actually paid.

19. OBLIGATIONS UNDER FINANCE LEASES**Finance lease liabilities**

The rights to the leased assets are reverted to the lessors in the event of default of the lease liabilities by the Group.

	As at 31 March		
	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>
Gross finance lease liabilities — minimum lease payments			
No later than 1 year	—	2,055,237	5,491,110
Later than 1 year and no later than 5 years	<u>—</u>	<u>5,993,624</u>	<u>10,613,487</u>
	—	8,048,861	16,104,597
Future finance charges on finance leases	<u>—</u>	<u>(464,580)</u>	<u>(773,905)</u>
Total borrowing (<i>Note 3.3</i>)	<u>—</u>	<u>7,584,281</u>	<u>15,330,692</u>

The present value of finance lease liabilities is as follows:

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
No later than 1 year — current	—	1,852,873	5,079,760
Later than 1 year and no later than 5 years			
— non-current	—	5,731,408	10,250,932
	—	7,584,281	15,330,692

The carrying amounts of all finance leases liabilities are denominated in Hong Kong dollars.

Certain of Group's plant and machinery are held under finance lease (note 12). The lease terms are 2 to 4 years. All the leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The above finance leases carry interest at the rate per annum of 3%–3.25%.

The Company's obligations under finance leases were secured by the lessor's charge over the leased assets, corporate guarantees provided by a related company and a subsidiary of the Group, charges/ mortgages over properties owned by Controlling Shareholder and/or unlimited personal guarantee and indemnity from Controlling Shareholder (as the case may be).

20. TRADE AND OTHER PAYABLES

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Trade payables (<i>note a</i>)	28,991,090	27,752,752	27,441,278
Retention payables	9,505,049	9,965,731	23,061,085
Provision for long service payment (<i>note b</i>)	—	548,209	514,556
Provision for annual leave	—	630,000	430,113
Accruals	1,952,364	2,416,183	6,110,056
	40,448,503	41,312,875	57,557,088

- (a) During the Relevant Periods, settlement terms granted by suppliers are generally within 45 days from the invoice date of the relevant purchases.

At the end of each reporting period, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
0–30 days	25,051,185	19,156,473	11,953,668
31–60 days	3,887,839	5,817,912	11,602,610
61–90 days	33,913	—	355,000
Over 90 days	18,153	2,778,367	3,530,000
	28,991,090	27,752,752	27,441,278

- (b) Movements of the Group's provision for long service payment during the Relevant Periods is stated as follows:

	The Group		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At beginning of the year	—	—	548,209
Charged/(Credited) to profit or loss	—	548,209	(33,653)
Settled during the year	—	—	—
At the end of the year	<u>—</u>	<u>548,209</u>	<u>514,556</u>

Under the Hong Kong Employment Ordinance, the Company is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least 5 years of service with the Company. The amount payable is dependent on the employees' final salary and years of services, and is reduced by entitlements accrued under the retirement schemes of the Company that are attributable to contributions made by the Company.

The Company does not set aside any assets to funds the above remaining obligations.

21. NOTES TO THE STATEMENTS OF CASH FLOWS

Major non-cash transactions

- (a) For the years ended 31 March 2013 and 2014, the Group acquired property, plant and equipment at cost of approximately HK\$10,581,233 and HK\$25,057,921, of which HK\$7,737,744 and HK\$10,861,048 were financed by finance lease arrangement respectively as set out in note 19 to the Financial Information.
- (b) Amounts due from directors of HK\$10,050,000 and HK\$52,456,834 were settled by the dividends paid by a subsidiary of the Group for the years ended 31 March 2013 and 31 March 2014 respectively.

22. BANKING FACILITIES

As at 31 March 2012, 2013 and 2014, the Group had aggregate banking facilities of approximately HK\$18,000,000, HK\$17,000,000 and HK\$12,000,000 at floating rate for overdrafts of which HK\$Nil, HK\$Nil and HK\$Nil were utilised as at the same date. These facilities are secured by corporate guarantees provided by a related company and a subsidiary, charges/mortgages over properties owned by Controlling Shareholder, unlimited personal guarantee and indemnity from Controlling Shareholder. Our Group's banking facilities do not have material covenants from controlling shareholder.

23. COMMITMENTS

(a) Operating lease commitments — Group as lessee

During the Relevant Periods, the Group leased certain of its offices under non-cancellable operating lease agreements. The lease terms are negotiated for an average term of 4 years and rental are fixed over the lease terms and do not include contingent rentals.

As at 31 March 2012, 2013 and 2014, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
No later than 1 year	16,450	828,000	828,000
Later than 1 year and no later than 5 years	—	2,208,000	1,380,000
	<u>16,450</u>	<u>3,036,000</u>	<u>2,208,000</u>

(b) Capital commitments

At 31 March 2012, 2013 and 2014, the Group did not have any capital commitment.

24. CONTINGENT LIABILITIES

(a) Performance bonds

Performance bonds have been issued by banks as the Group has some major construction contracts with customers and the bonds are performance guarantee for the provision of works for such projects. At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Group.

As at 31 March 2012, 31 March 2013 and 31 March 2014, the amount of outstanding performance bonds was approximately HK\$6.5 million, HK\$19.3 million and HK\$22.3 million respectively.

The performance bonds were secured by corporate guarantees provided by a related company and a subsidiary, charges/mortgages over properties owned by Controlling Shareholder and/or unlimited personal guarantee and indemnity from Controlling Shareholder (as the case maybe).

(b) Litigation and potential claims

During the Track Record Period and as at the Latest Practicable Date, the Group was or is involved in a number of material claims, litigations and pending or threatened claims of material importance against the Group.

The following claims are related to (i) employees' compensation claims and personal injuries claims; and (ii) charges arising out of the Group's ordinary and usual course of business, and which are not related to any contractual or related disputes with the customers of the Group. As at the Latest Practicable Date, save as disclosed under item (I) below, there was no pending or threatened claim or charge against the Group. Set out below are the details of the outstanding claims and litigations against the Group as at the Latest Practicable Date, and the material claims and litigations against the Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date:

(I) Outstanding claims and charges against the Group as at the Latest Practicable Date

No.	Nature of incident/ claim/charge	Date of incident/ breach	Capacity of plaintiff(s)/ applicant(s)/ complainant	Name(s) of defendant(s)/ respondent(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
1.	(i) Employees' compensation claim (Action no. DCEC1006/2013) (ii) Personal injuries claim (Action no. HCPI 509/2014) A claim for damages for personal injuries sustained by the plaintiff (a construction worker) while he was in the course of employment with the 1st respondent, a sub-contractor of NC Engineering, at the construction site at Tai Po Road, New Territories	17 June 2011	Employee of the 1st respondent at the time of accident	NC Engineering as the 2nd respondent; a sub-contractor of NC Engineering as the 1st respondent	Approximately HK\$2.59 million plus interest	100%	(i) The applicant will be re-assessed by the Medical Assessment Board. Further action is pending the re-assessment result. (ii) Writ of summons was issued on 4 June 2014 and the checklist review will take place on 21 November 2014

In connection with these claims, the plaintiff was a then employee of the 1st respondent (but not the Group) and it is the Directors' understanding that his claims are covered by insurance in full. As such, the Directors consider that no provision is necessary to be made.

No.	Nature of incident/claim/ charge	Date of incident/ breach	Capacity of plaintiff(s)/ applicant(s)/ complainant	Name(s) of defendant(s)/ respondent(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
2.	Case no. KCS12179/2014 — failure to comply with Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations under the FIU Ordinance for failing to take adequate steps to prevent a person from falling from a height of 2 metres or more on the construction site at Un Chau Street, Kowloon	15 October 2013	Labour Department	NC Engineering	If NC Engineering is found liable, (i) where the offence was committed without reasonable excuse, the maximum penalty will be a fine of \$200,000 and imprisonment (or its directors) for 12 months; or (ii) a fine of \$200,000 in any other case	Not available	NC Engineering pleaded not guilty to the charge in the mention hearing on 16 June 2014. The pre-trial review was held on 7 July 2014 and the trial will take place on 14 and 15 October 2014

In connection with this case no.2, the Directors consider that NC Engineering has reasonable grounds of defence, because in the course of carrying out the relevant project, the Group has taken out all reasonable steps to ensure safety on site. As advised by the legal adviser to NC Engineering in relation to this case, NC Engineering has a reasonable good chance to defend the case and even it is convicted, the fine would be no more than HK\$50,000. In view of such amount of possible fine, the Directors consider that no provision is necessary to be made. Legal Counsel also opined that the risk of any of NC Engineering's directors being sentenced to imprisonment would be low.

(c) **Financial guarantee issued**

As at 31 March 2012 and 31 March 2013, the Group has issued corporate guarantee to a bank in respect of the banking facilities granted to its related company. Under the corporate guarantee, the Group and the related company are jointly and severally liable for all or any the borrowings of each of them from the bank. At the end of reporting period, the corporate guarantee was released from the Group.

The outstanding amounts of banking facilities utilised by the related company as at 31 March 2012 and 31 March 2013 are HK\$nil.

The fair value of the corporate guarantees at date of incorporation is not material and is not recognised in the financial statements for the year ended 31 March 2012 and 31 March 2013.

25. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 March 2014:

- (a) The Company now comprising the Group underwent the Group Reorganisation in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. Further details of the Group Reorganisation are set out in the paragraph headed "A. Further information about our Company and our Group — 4. Corporate reorganisation" in Appendix IV to the Prospectus. As a result of the Group Reorganisation, the Company became the holding company of the Group on 13 August 2014.
- (b) On 22 August 2014, our Group declared and paid an interim dividend of HK\$15,000,000 to its then shareholders of our Company.
- (c) On 26 August 2014, written resolutions of the sole shareholder of the Company was passed to approve the matters set out in the paragraph headed "Appendix IV Statutory and General Information — Written resolutions of our Sole Shareholder passed on 26 August 2014" of the Prospectus.
- (d) A Share Option Scheme has been conditionally approved and adopted by the Company on 26 August 2014, the principal terms of which are summarised in the paragraph headed "Appendix IV Statutory and General Information — Share Option Scheme" of the Prospectus.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2014.

Yours faithfully,
World Link CPA Limited
Certified Public Accountants
Hong Kong

Fung Tze Wa
Practising Certificate Number — P01138

The following information does not form part of the Accountants' Report prepared by World Link CPA Limited, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to equity holders of the Company as of 31 March 2014 as if the Share Offer had taken place on 31 March 2014.

This unaudited pro forma adjusted combined net tangible assets attributable to equity holder of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as of 31 March 2014 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group as of 31 March 2014 as set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible asset attributable to equity holders of the Company does not form part of the Accountants' Report in Appendix I to this prospectus.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as of 31 March 2014 (note 1) HK\$'000	Estimated net proceeds from the Share Offer (note 2) HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company (note 3) HK\$'000	Unaudited pro forma adjusted combined net tangible assets per Share of the Group attributable to equity holders of the Company (note 3) HK\$
Based on the Offer Price of HK\$0.75 per Offer Share	49,370	54,391	103,761	0.26
Based on the Offer Price of HK\$0.90 per Offer Share	49,370	68,866	118,236	0.30

Notes:

- (1) The audited combined net tangible assets attributable to equity holders of the Company as of 31 March 2014 is based on the audited combined net assets of the Group amounted to HK\$49,369,754 as of 31 March 2014, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

- (2) The adjustment to the pro forma statement of combined net tangible assets of the Group reflects the estimated proceeds from the Share Offer to be received by the Company. The estimated proceeds from the Share Offer is based on the Offer Price of HK\$0.75 and HK\$0.90 per Share and 100,000,000 Shares, net of estimated issue expenses of approximately HK\$20.6 million and HK21.1 million respectively.
- (3) The number of Shares used for the calculation of unaudited pro forma adjusted combined net tangible assets per share is based on a total of 400,000,000 Shares issued, adjusted as if the Share Offer and the Capitalisation Issue had occurred at 31 March 2014.
- (4) The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements including the unaudited pro forma financial information (i.e. 31 March 2014). In particular, on 22 August 2014, an interim dividend of HK\$15,000,000 was declared and paid to the then shareholders of the Company. The unaudited pro forma adjusted combined net tangible assets had not taken into account of the above transaction.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, World Link CPA Limited, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.

World Link
World Link CPA Limited

5th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the board of directors of New Concepts Holdings Limited**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of New Concepts Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the pro forma statement of adjusted combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2014 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 4 September 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer on the Group's net tangible assets as at 31 March 2014 as if the share offer had taken place at 31 March 2014. As part of this process, information about the Group's net tangible assets has been extracted by the Directors from the Group's financial information for the year ended 31 March 2014, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibility

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any

financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event of transaction at 31 March 2014 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 pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustment give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the Directors of the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

World Link CPA Limited

Certified Public Accountants

Hong Kong

Fung Tze Wa

Practising Certificate Number P01138

4 September 2014

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 3 April 2014 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the Memorandum) and the Amended and Restated Articles of Association (the Articles).

1. MEMORANDUM OF ASSOCIATION

- 1.1 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.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 26 August 2014. The following is a summary of certain provisions of the Articles:

2.1 Shares

2.1.1 Classes of shares

The share capital of the Company consists of ordinary shares.

2.1.2 Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of

them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

2.2 Directors

2.2.1 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 thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). 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 thereof, they are 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 thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think 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.

2.2.2 Power to dispose of the assets of the Company or any subsidiary

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.

2.2.3 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.

2.2.4 Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

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 (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.

2.2.5 Disclosure of interest in contracts with the Company or with 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 therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer 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 thereof 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, either as vendor, purchaser or otherwise, 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 thereby established. 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 therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, 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 namely:

- (a) 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;

- (b) 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;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his close associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

2.2.6 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 amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other 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 (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration 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 other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such 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.

In addition, 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.

2.2.7 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 appointed by the Board 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 appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will 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 who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (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 shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 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 the Board or retirement therefrom.

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. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (b) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (c) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

- (e) if he is prohibited from being a director by law;
- (f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (g) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (h) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

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 or Directors and 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.

2.2.8 Borrowing powers

Pursuant to the Articles, 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. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

2.2.9 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 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

2.2.10 Proceedings of the Board

Subject to the Articles, 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.

2.3 Alterations to the constitutional documents

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 by the Company by special resolution.

2.4 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. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 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 thereto respectively 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; and (e) cancel shares which, at

the date of the passing 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.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

2.6 Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or 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 not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been 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 defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. 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.

2.7 Voting rights (generally and on a poll) 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 on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and 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 the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, 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 on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- 2.7.1 the chairman of the meeting; or
- 2.7.2 at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- 2.7.3 any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- 2.7.4 a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares 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 of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.8 Annual general meetings

The Company must hold an annual general meeting each year. 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.

2.9 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 the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law 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 or 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 summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles),

and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

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.

2.10 Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting 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 either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid 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 for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

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:

- 2.10.1 in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

2.10.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (g) the granting of any mandate or authority to the Board to repurchase securities in the Company.

2.11 Transfer of shares

Subject to the Cayman Companies Law, 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 provided always that it shall be in such form prescribed by the Stock Exchange 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 in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

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 any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, 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 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 (as defined in the Articles), 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 with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, 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.

2.13 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.

2.14 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:

2.14.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof 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; and

2.14.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. 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 on the share capital of the Company, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) 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 addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. 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 made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, 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.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or

at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. 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 use by him 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.

2.16 Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think 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 thereof 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 the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the 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 thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him 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 will 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 it 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 time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, 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.

2.17 Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that 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 member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

2.18 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.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

2.20 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:

2.20.1 if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

2.20.2 if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that 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 shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members 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 shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.21 Untraceable members

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.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- 2.21.1 all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- 2.21.2 upon the expiry of the 12 years and three months period (being the three months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- 2.21.3 the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

2.22 Subscription rights reserve

Pursuant to the Articles, 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 3 April 2014 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.

3.1 Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount 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 Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- 3.2.1 paying distributions or dividends to members;
- 3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- 3.2.3 any manner provided in section 37 of the Cayman Companies Law;
- 3.2.4 writing-off the preliminary expenses of the company; and
- 3.2.5 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, the Cayman Companies Law provides that 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.

It is further provided by the Cayman Companies Law that, 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.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

3.3 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 acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 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. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. 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.

Under section 37A(1) the Cayman Companies Law, 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 (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or

surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law 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 and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that 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 to the company, in respect of a treasury share.

3.6 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 thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- 3.6.1 an act which is ultra vires the company or illegal;
- 3.6.2 an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- 3.6.3 an irregularity in the passing of a resolution the passage of 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 thereof 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 thereon.

Moreover, 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.

3.7 Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3.8 Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that 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 the Company keeps its books of account at any place other than at its registered office or at 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 (2009 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.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 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:

3.10.1 that 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

3.10.2 in addition, that 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:

- (a) on or in respect of the shares, debentures or other obligations of the Company; or
- (b) 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 twenty years from 6 May 2014.

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 certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

There is no stamp duty 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.

3.12 Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 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. The Cayman Companies Law contains 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 (2009 Revision) of the Cayman Islands.

3.15 Winding up

A Cayman Islands company may be wound up either 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 occurs where the Company so 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; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such 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 shall be 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 has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

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 shall take 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, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.16 Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of 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 would have 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, nonetheless 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.

3.17 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 the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands 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.

3.18 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 paragraph headed "B. Documents Available for Inspection" in Appendix VI 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 AND OUR GROUP**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 3 April 2014. Our Company changed its Chinese name from “創業控股有限公司” to “創業集團(控股)有限公司” with effect from 8 July 2014. We have been registered as a non-Hong Kong company under Part 16 of Cap. 622 Companies Ordinance on 20 June 2014 and our principal place of business in Hong Kong is at Room 1812, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong. Mr. Chu has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

Immediately following completion of the Share Offer and the Capitalisation Issue, the authorised share capital of our Company will be HK\$200,000,000 divided into 2,000,000,000 Shares, of which 400,000,000 Shares will be issued fully paid or credited as fully paid, and 1,600,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Company and our Group — 3. Written resolutions of our sole Shareholder passed on 26 August 2014” in this Appendix and the Share Option Scheme, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 26 August 2014

By written resolutions of our sole Shareholder passed on 26 August 2014:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each to HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each by the creation of an additional of 1,996,200,000 Shares of HK\$0.10 each, each ranking *pari passu* with the Shares then in issue in all respects;

- (c) conditional on the Listing Committee of the Stock Exchange 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 allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
- (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects (except for participation in the Capitalisation Issue);
 - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, 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 granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) following the increase in authorised share capital and conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$29,999,000 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 299,990,000 Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company in the Cayman Islands at the close of business on 25 August 2014 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which

may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) 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 Share Offer and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

4. Corporate reorganisation

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

- (1) On 21 March 2014, BVI Holdco was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. On 21 March 2014, each of Mr. Chu and Mr. Kwan was allotted and issued at par 75 and 25 fully paid ordinary shares, representing 75% and 25% of the issued share capital of BVI Holdco, respectively;
- (2) On 25 March 2014, BVI 1 was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued at par to BVI Holdco on 25 March 2014;
- (3) On 25 March 2014, BVI 2 was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued at par to BVI Holdco on 25 March 2014;
- (4) On 3 April 2014, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares with a par value of HK\$0.10 per share. One Share was allotted and issued as fully paid share to the subscriber to the memorandum and articles of association of the Company, which was later transferred to BVI Holdco on 3 April 2014;
- (5) On 12 August 2014, BVI 1 as transferee and NC Foundation and NC International as transferors entered into instruments of transfer and bought and sold notes, pursuant to which BVI 1 acquired:
 - (i) 10,099,949 ordinary shares (or approximately 99.99%) of NC Engineering from NC Foundation and as consideration for which 999 consideration shares of BVI 1 had been allotted and issued to BVI Holdco (as directed by NC Foundation), all credited as fully paid; and
 - (ii) 51 ordinary shares (or approximately 0.0005%) of NC Engineering from NC International and as consideration for which one consideration share of BVI 1 had been allotted and issued to BVI Holdco (as directed by NC International), all credited as fully paid.

After the aforesaid share transfers, BVI 1 held an aggregate of 10,100,000 ordinary shares, being the entire issued share capital of NC Engineering, and NC Engineering became a wholly-owned subsidiary of BVI 1.

- (6) On 12 August 2014, BVI 2 as transferee and Mr. Chu, Mr. Kwan and NC International as transferors entered into instruments of transfer and bought and sold notes, pursuant to which BVI 2 acquired:
- (i) 6,020,000 ordinary shares (or 43%) of NC Foundation from Mr. Chu and as consideration for which 430 consideration shares of BVI 2 had been allotted and issued to BVI Holdco (as directed by Mr. Chu), all credited as fully paid;
 - (ii) 3,500,000 ordinary shares (or 25%) of NC Foundation from Mr. Kwan and as consideration for which 250 consideration shares of BVI 2 had been allotted and issued to BVI Holdco (as directed by Mr. Kwan), all credited as fully paid; and
 - (iii) 4,480,000 ordinary shares (or 32%) of NC Foundation from NC International and as consideration for which 320 consideration shares of BVI 2 had been allotted and issued to BVI Holdco (as directed by NC International), all credited as fully paid.

After the aforesaid share transfers, BVI 2 held an aggregate of 14,000,000 ordinary shares, being the entire issued share capital of NC Foundation, and NC Foundation became a wholly-owned subsidiary of BVI 2.

- (7) On 13 August 2014, BVI Holdco as vendor and warrantor, Mr. Chu as warrantor and the Company as purchaser entered into a sale and purchase agreement, pursuant to which the Company agreed to acquire (i) the entire issued share capital of BVI 1 and as consideration for which 2,299 Shares were allotted and issued to BVI Holdco, credited as fully paid, which was determined with reference to the net asset value as at 31 March 2014 of NC Engineering, and (ii) the entire issued share capital of BVI 2 and as consideration for which 7,700 Shares were allotted and issued to BVI Holdco, credited as fully paid, which was determined with reference to the net asset value as at 31 March 2014 of NC Foundation.

Immediately after completion of the share transfers referred to in item (7) above, our Company became the holding company of our Group.

5. Changes in share capital of subsidiaries

The following alterations in the share capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

NC Engineering

On 11 November 2013, NC Foundation was allotted and issued 1,500,000 fully paid ordinary shares at the subscription price of HK\$1.5 million in aggregate. Upon completion of the aforesaid allotment, NC Engineering had a share capital of HK\$10,100,000 divided into 10,100,000 ordinary shares, which were owned as to approximately 99.99% (10,099,949 ordinary shares) by NC Foundation and approximately 0.0005% (51 ordinary shares) by NC International.

NC Foundation

On 21 November 2013, Mr. Chu transferred to Mr. Kwan his legal title to 3,500,000 ordinary shares (25%) of NC Foundation, which he held on trust for Mr. Kwan, to Mr. Kwan at nil consideration.

Save as disclosed above and as mentioned in the paragraph headed “4. Corporate reorganisation” in this Appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 26 August 2014, a Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and

recognised by the SFC in Hong Kong and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of our Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

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 our 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 our Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue after completion of the Share Offer and the Capitalisation Issue, could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws 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 connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:


- (a) On 12 August 2014, BVI 1 as transferee and NC Foundation as transferor entered into instrument of transfer and bought and sold notes, pursuant to which BVI 1 acquired the beneficial interest of 10,099,949 ordinary shares of NC Engineering from NC Foundation and as consideration for which 999 consideration shares of BVI 1 had been allotted and issued to BVI Holdco (as directed by NC Foundation), all credited as fully paid;
- (b) On 12 August 2014, BVI 1 as transferee and NC International as transferor entered into instrument of transfer and bought and sold notes, pursuant to which BVI 1 acquired the beneficial interest of 51 ordinary shares of NC Engineering from NC International and as consideration for which one consideration share of BVI 1 had been allotted and issued to BVI Holdco (as directed by NC International), all credited as fully paid;
- (c) On 12 August 2014, BVI 2 as transferee and Mr. Chu as transferor entered into instrument of transfer and bought and sold notes, pursuant to which BVI 2 acquired the beneficial interest of 6,020,000 ordinary shares of NC Foundation from Mr. Chu and as consideration for which 430 consideration shares of BVI 2 had been allotted and issued to BVI Holdco (as directed by Mr. Chu), all credited as fully paid;
- (d) On 12 August 2014, BVI 2 as transferee and Mr. Kwan as transferor entered into instrument of transfer and bought and sold notes, pursuant to which BVI 2 acquired the beneficial interest of 3,500,000 ordinary shares of NC Foundation from Mr. Kwan and as consideration for which 250 consideration shares of BVI 2 had been allotted and issued to BVI Holdco (as directed by Mr. Kwan), all credited as fully paid;
- (e) On 12 August 2014, BVI 2 as transferee and NC International as transferor entered into instrument of transfer and bought and sold notes, pursuant to which BVI 2 acquired the beneficial interest of 4,480,000 ordinary shares of NC Foundation from NC International and as consideration for which 320 consideration shares of BVI 2 had been allotted and issued to BVI Holdco (as directed by NC International), all credited as fully paid;

- (f) On 13 August 2014, BVI Holdco as vendor and warrantor, Mr. Chu as warrantor and the Company as purchaser entered into a sale and purchase agreement, pursuant to which the Company agreed to acquire (i) the entire issued share capital of BVI 1 and as consideration for which 2,299 Shares were allotted and issued to BVI Holdco, credited as fully paid, which was determined with reference to the net asset value as at 31 March 2014 of NC Engineering, and (ii) the entire issued share capital of BVI 2 and as consideration for which 7,700 Shares were allotted and issued to BVI Holdco, credited as fully paid, which was determined with reference to the net asset value as at 31 March 2014 of NC Foundation;
- (g) the Deed of Non-competition;
- (h) the Deed of Indemnity; and
- (i) the Public Offer Underwriting Agreement.

2. Intellectual property rights

Trademark

As at the Latest Practicable Date, our Group was applying for the following trademark:

Trademark	Applicant	Date of filing	Application number	Class	Renewal possibility
	NC Foundation	24 February 2014	302904011	37 (<i>Note</i>)	Once registered, it may be renewed for another 10 years, if requested prior to expiry.

Note: Class 37: Building construction; Foundation works; Civil engineering construction; Site formation; Landslip Preventive and Remedial works; Road works; Drainage works; Marine works being construction, repair and maintenance of ships; Water main works, namely, building of water distribution systems; Alteration and Addition works; Fitting-out works; Repair; Installation services; all included in Class 37.

Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registration date	Expiry date
www.ncfl.com.hk	10 November 2000	19 June 2015

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Share Offer and the Capitalisation Issue but taking no account of any Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests 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 our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

Name of Director	Capacity/Nature	No. of Shares held	Percentage of shareholding
Mr. Chu	Interest in controlled corporation (<i>Note</i>)	300,000,000	75%
Mr. Kwan	Interest in corporation (<i>Note</i>)	75,000,000	18.75% (<i>attributable interest</i>)

Note:

Each of Mr. Chu and Mr. Kwan owns 75% and 25% of the issued share capital of BVI Holdco, respectively. Immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, BVI Holdco will be the beneficial owner holding 75% shareholding interest in the Company and thus Mr. Chu will be

deemed or taken to be interested in all the Shares which are to be beneficially owned by BVI Holdco for the purpose of the SFO. Mr. Chu and Mr. Kwan are directors of BVI Holdco.

(ii) *Long position in the ordinary shares in associated companies*

Name of Director	Name of associated company	Capacity/ Nature	No. of Shares held	Percentage of shareholding
Mr. Chu	BVI Holdco	Interest in controlled corporation	75	75%
Mr. Kwan	BVI Holdco	Interest in corporation	25	25%

- (b) 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 to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company as disclosed in paragraph (a) above) will, immediately following the completion of the Share Offer and the Capitalisation Issue have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

Name	Nature of Interest	No. of Shares held	Percentage of shareholding
BVI Holdco	Beneficial owner (Note)	300,000,000	75%

Note: BVI Holdco is a company incorporated in the BVI. Immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, BVI Holdco will own 75% shareholding interest in the Company. BVI Holdco is owned as to 75% and 25% by Mr. Chu and Mr. Kwan, respectively.

2. Particulars of service agreements

Each of the executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years

commencing from the Listing Date and will continue thereafter until terminated by not less than three months written notice to the other party. Each of these executive Directors is entitled to the respective basic salary set out below. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual salaries and allowances of the executive Directors are as follows:

Name	Amount <i>(HK\$)</i>
Mr. Chu	900,000
Mr. Kwan	900,000
So Kin Shing	540,000
Lai Mun Yee	420,000

Each of the INEDs has entered into an appointment letter with our Company. The terms and conditions of each of such appointment letters are similar in all material respects. Each of them are appointed with an initial term of two years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant service contracts. The annual remunerations payable to each of them under each of the service contracts are as follows:

Name	Amount <i>(HK\$)</i>
<i>INEDs</i>	
Lo Chun Chiu, Adrian	240,000
Tong Ka Lok	240,000
Choy Wai Shek, Raymond, <i>MH, JP</i>	240,000
Huen Wai Kei	240,000

Save as disclosed above, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of FY2012, FY2013 and FY2014 were approximately HK\$594,000, HK\$896,000 and HK\$1,480,000, 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 2015 will be approximately HK\$3,720,000.

4. Fees or commission received

Save as disclosed in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Commission and expenses” in this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 15 to the accountant’s report set out in Appendix I to this prospectus.

6. Disclaimers

- (a) save as disclosed in the paragraph headed “C. Further information about substantial shareholders, directors and experts — 2. Particulars of service agreements” in this Appendix, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “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) save as disclosed in the section headed “Substantial Shareholders” in this prospectus and the paragraph headed “C. Further information about substantial shareholders, directors and experts — 1. Disclosure of interests” in this Appendix and taking no account of Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under

the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (e) save as disclosed in the paragraph headed “Disclosure of interests” in this Appendix, none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

(a) Definitions

“Adoption Date”	26 August 2014, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(b) Summary of terms*(i) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the INEDs) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the 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 the 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, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) *Maximum number of Shares*

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) the 10% limit as mentioned above may be refreshed at any time by obtaining 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 the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the 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 such other information required under the Listing Rules.
- (dd) the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to 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 the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by the INEDs (excluding any INED who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an INED (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

(aa) An offer for the grant of options may not be made after a price sensitive event of our Group has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the last day for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, the supplemental guideline of 5 September 2005 issued by the Stock Exchange and, any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a Capitalisation Issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may

be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and 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 exercised) shall become exercisable in whole or in part on such date not later than 2 business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options

relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

(bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares may be issued due to the exercise of any options which may be granted under the Share Option Scheme.

(c) Present status of the Share Option Scheme

The Share Option Scheme complies with Chapter 17 of the Listing Rules. Application has been made to the Stock Exchange for listing of and permission to deal in 40,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

The Controlling Shareholders (the “Indemnifiers”) have, under the Deed of Indemnity referred to in the sub-section headed “Summary of material contracts” in this Appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things, (a) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued, or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; and (b) any liabilities which may arise as a result of any litigation, arbitration, legal proceedings and/or non-compliance of our Group on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- provision or reserve has been made for such taxation liability in the audited accounts of our Company as at 31 March 2014; or
- the taxation liability arises or is increased as a result only 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
- the taxation liability arises in the ordinary course of business of our Group after 31 March 2014 up to and including the date on which the Public 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 paragraph headed “Business — Litigation and potential claims” in this prospectus, no member of our Group is 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 Sole Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees payable by us in respect of Halcyon Capital Limited's services as sole sponsor for the Listing is HK\$4,800,000 (excluding any disbursements).

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$115,440 and are payable by our Company.

5. Promoter

There is no promoter of our Company.

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
Halcyon Capital Limited	A licenced corporation under the SFO and engaged in type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
World Link CPA Limited	Certified Public Accountants
World Link Corporate Finance Limited	Internal control consultant
IPSOS Hong Kong Limited	Industry consultant
Appleby	Legal adviser to our Company as to Cayman Islands law
Christine M. Koo & Ip	Legal adviser to our Company as to Hong Kong law
Leong Hon Man Law Office	Legal adviser to our Company as to Macau law
Mr. Lincoln Cheung	Barrister-at-law in Hong Kong
Ms. Anna M.W. Chow	Barrister-at-law in Hong Kong

7. Consents of experts

Each of the above named experts has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Cap. 32 Companies (WUMP) Ordinance so far as applicable.

9. Taxation of holders of Shares*(a) Hong Kong*

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

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 31 March 2014 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the Latest Practicable Date.

11. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) save as disclosed in the paragraphs headed “Corporate reorganisation” and “Changes in share capital of subsidiaries” of this Appendix, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) save as disclosed in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Commission and expenses” in this prospectus, no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our 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;
 - (iii) save as disclosed in the paragraph headed “D. Share Option Scheme” in this Appendix, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iv) no arrangement under which future dividends are waived or agreed to be waived by our Company.
- (b) Neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “E. Other information — 7. Consents of experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) Our Company has no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name as shown on the certificate of incorporation of our Company in conjunction with our English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

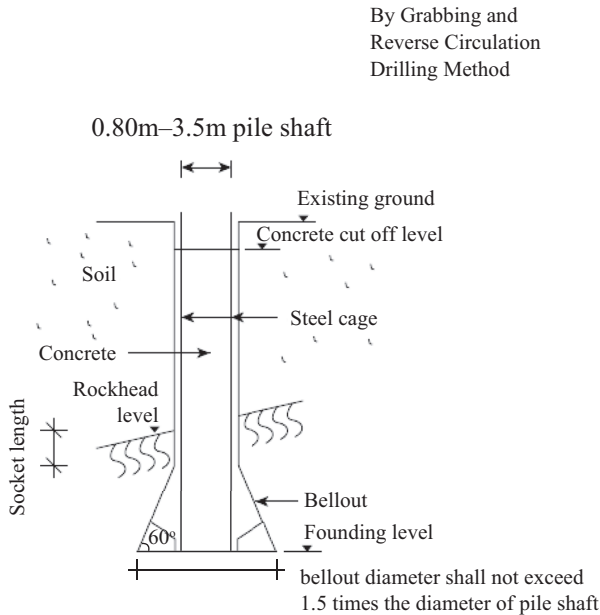
12. Bilingual prospectus

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).

A. TECHNICAL INFORMATION OF OUR FOUNDATION WORKS

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

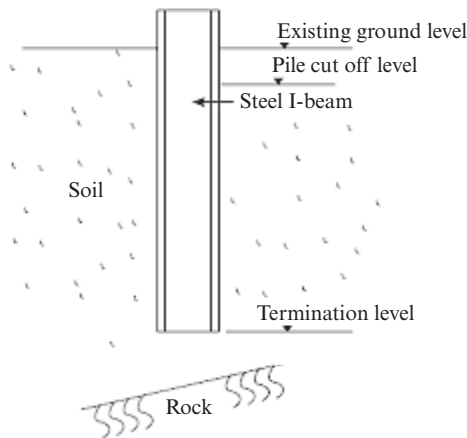
1. Bored piles



The bored piling works undertaken by us are mainly large diameter bored piles with diameters ranging from 0.80m to 3.5m. They are usually formed and installed by machine boring and grabbing to the required level and subsequently filling the bored hole with reinforced concrete. Normally a steel casing will be used to provide temporary support to the ground during boring operation. Bored piles are a type of “end bearing pile” that reach the underground bedrock layer from which bored piles obtain support to bear the load of the superstructure above. It is common to construct a bell-out at the base of a large diameter bored pile to increase its load bearing capacity.

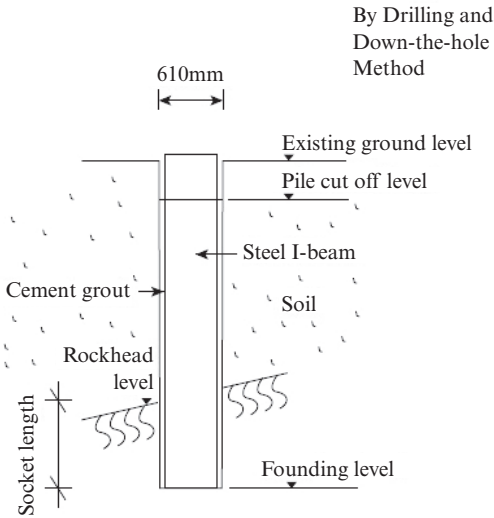
2. Driven H-piles

By Percussive
Method



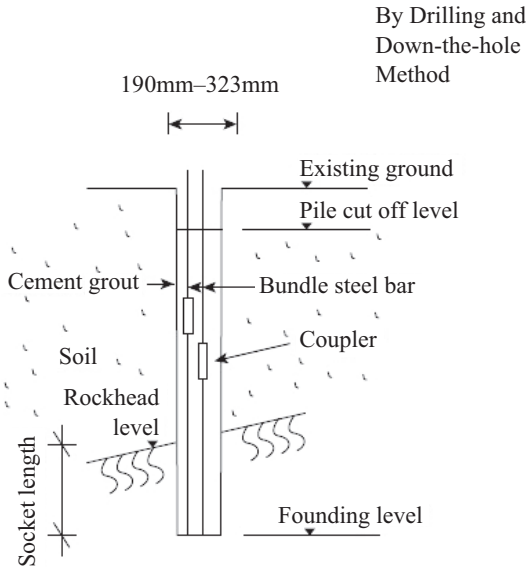
Driven H-piling (which is a type of percussive pilings) works generally involve the driving of steel H-piles to the required depth by direct or indirect hammering or other percussive means, including by the use of a drop hammer, normally prohibited, double acting hammer, single acting hammer, internal drop hammer, pneumatic hammer, steam hammer or other percussive device. Driven H-piles have been widely used in Hong Kong due to the ease of handling and driving. Driven H-piles are a type of “friction pile” that derive the load bearing capacity from the friction between the pile and earth. Due to the percussive nature, this type of piling works creates more noise and vibration and its operation is generally restricted to 3 hours per day in urban areas in Hong Kong. As the size of machinery involved takes up relatively less space, driven H-piles are suitable for construction sites with limited space.

3. Socketed H-piles



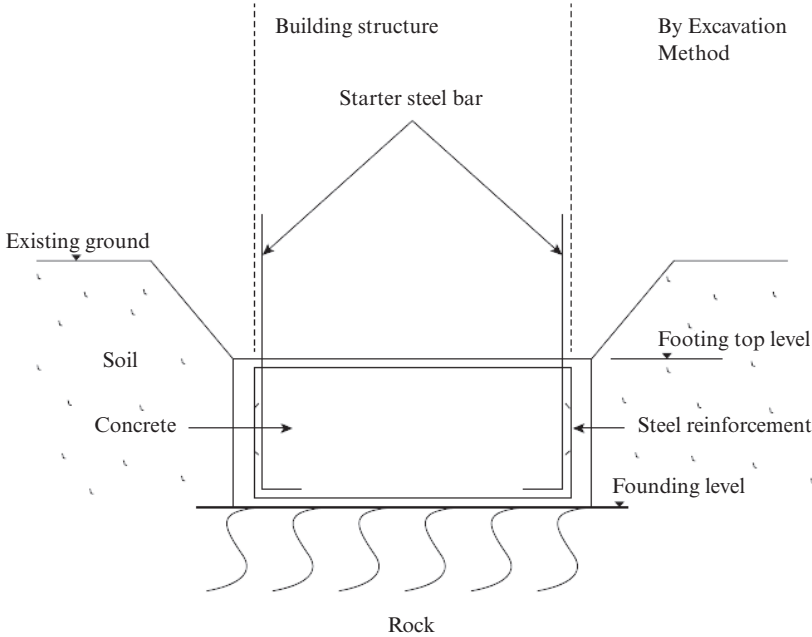
Rotary boring machine is used to drill holes on the ground for piling and the drilling continues until the hole has extended to sufficient depth (socketing) and into a sufficiently bedrock. Both the diameter and the depth of the borehole are highly specific to the ground conditions, loading conditions and nature of the construction project. Socketed H-piles (also known as pre-bored H-piles) are then installed by inserting prefabricated steel H-piles into the boreholes sunk into bedrock, and subsequently grouting the holes with cementitious materials.

4. Mini-piles



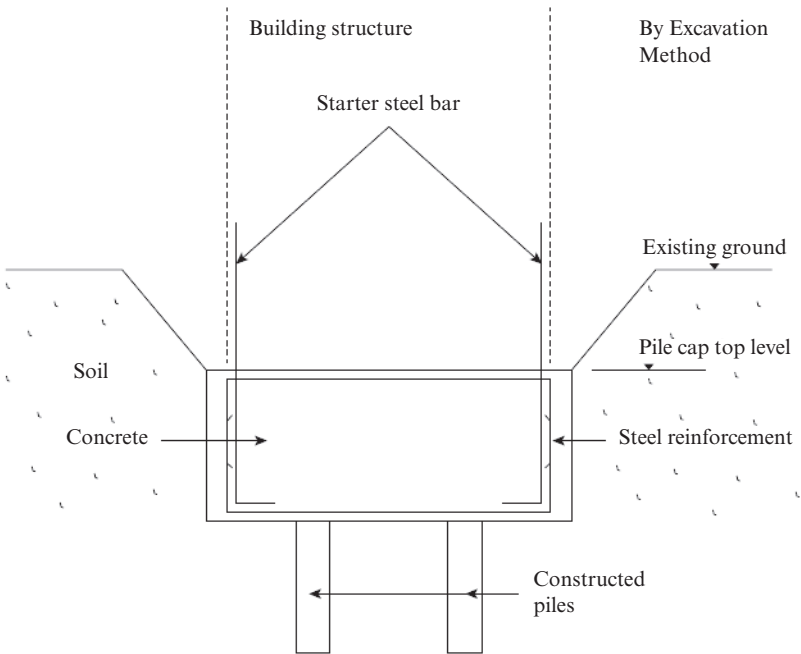
A mini-pile usually consists of one or more steel bars encased by grout inside a borehole not exceeding 400mm in diameter. They are normally designed to be socketed into rock and are mainly used to resist compression or tension loads on sites with difficult access. Steel casing are to be provided to support the borehole within the soil and/or fractured rock during drilling operation.

5. Footings



Footing foundation is a type of shallow foundation which transfers building loads to a shallow bedrock layer which is near the ground surface, usually less than two meters below ground. Most of the footings are formed by concrete poured into a trench and constrained by some kind of forms. Functionally, footings are similar to pile caps. However, footings transfer the load directly to the bedrock while pile caps transfer the load onto piles.

6. Pile caps



Pile caps are concrete structures built on the head of a pile or a group of piles for transmission of loads from the structure above to the pile or group of piles.

B. FEATURES OF OUR CONSTRUCTION WORKS

We set out below the features of various works by our Group:

Type of Works	Advantages	Disadvantages	Applications	Limitations	Cost Features
Foundation Works					
Bored piles	<ol style="list-style-type: none"> 1. Non percussive pile: <ul style="list-style-type: none"> — Low noise — Low vibration — Less disturbance to neighbours 2. High load bearing capacity 3. Can be installed at great depths 	<ol style="list-style-type: none"> 1. Needs relatively wide access for mobilisation of plant 2. Relatively high plant costs 3. Needs rest on designed grade of bedrock which can be very steep and may lead to higher costs 4. Excavated material requires disposal, the cost of which will be high if it is contaminated 	<ol style="list-style-type: none"> 1. High-rise buildings 	<ol style="list-style-type: none"> 1. Not suitable for small site which is difficult for manoeuvring of bored piling plant 	<ol style="list-style-type: none"> 1. Relatively high fixed plant cost
Driven-H piles	<ol style="list-style-type: none"> 1. Relatively low cost as it can be rest upon stiff soil irrespective of depth and grade of bedrock 2. Low plant costs 	<ol style="list-style-type: none"> 1. Percussive piles: <ul style="list-style-type: none"> — High noise — High vibration — More disturbance to neighbours 2. operation is restricted to 3 working hours per day in urban areas in Hong Kong 3. Pile section may become damaged during driving 	<ol style="list-style-type: none"> 1. High-rise buildings and podium 	<ol style="list-style-type: none"> 1. Not suitable for site next to sensitive structures or utility installations 	<ol style="list-style-type: none"> 1. Relatively high material cost

Type of Works	Advantages	Disadvantages	Applications	Limitations	Cost Features
Socketed H-piles	<ol style="list-style-type: none"> Non percussive pile: <ul style="list-style-type: none"> Low noise Low vibration Less disturbance to neighbours Lower plant costs as compared with bored piles 	<ol style="list-style-type: none"> Needs support in designated grade of rock which can be very steep and deep which in turn increases costs Higher plant costs as compared with percussive piles Risk of loosening soils during pile excavation and causing ground loss and hence settlement 	<ol style="list-style-type: none"> Smaller sized high-rise buildings and podium structures Footbridge 	<ol style="list-style-type: none"> Not cost effective as compared with large diameter bored piles which can support heavier loads 	<ol style="list-style-type: none"> Lower plant cost as compared to bored piles but higher plant cost as compared to percussive piles Higher material cost as compared to percussive piles
Mini-piles	<ol style="list-style-type: none"> Non percussive pile: <ul style="list-style-type: none"> Low noise Low vibration Less disturbance to neighbours Small size of plant which can be used in small site. Only bamboo platform is required to support plant for pile construction on slopes 	<ol style="list-style-type: none"> Low load bearing capacity Needs support in designated grade of rock which can be very steep and deep which in turn increases costs 	<ol style="list-style-type: none"> Small structures e.g. footbridge and temporary working platform on slopes Noise Barriers 	<ol style="list-style-type: none"> Not suitable for large structures as its load bearing capacity is relatively low 	<ol style="list-style-type: none"> Relatively low plant and material costs
Footings	<ol style="list-style-type: none"> Very low cost as piles are not required 	<ol style="list-style-type: none"> Noise generated by drilling and breaking of rock causes disturbance to neighbours 	<ol style="list-style-type: none"> Buildings at a site where the load bearing bed rock is at a high level 		<ol style="list-style-type: none"> Low plant and labour costs as it requires no special skill
Pile caps	n/a	n/a	<ol style="list-style-type: none"> Transferring the superstructure loadings to underground piles 	n/a	<ol style="list-style-type: none"> Low plant cost, mainly labour and material costs

Type of Works	Advantages	Disadvantages	Applications	Limitations	Cost Features
Foundation Works					
Civil engineering					
Site formation	n/a	n/a	Excavation and filling	Forming formation and safe slopes for foundation and building works	Low plant cost, mainly labour and material costs
Landslip preventive and remedial works to slopes and retaining walls	n/a	n/a	<ol style="list-style-type: none"> 1. Ground investigation 2. Soil nailing and spraying concrete 3. Mini-piling and soil anchors 4. Installation of flexible barriers 5. Reinforced concrete ("R.C.") construction 6. Landscaping working 7. Drainage construction 	Provision of protection to slope or upgrading the protection of existing slopes against landslip hazards	Low plant cost, mainly labour and material costs
Roads and drainage works	n/a	n/a	<ol style="list-style-type: none"> 1. Excavation and filling works for road formation 2. R.C. work for structures 3. Concrete paving or flexible paving work 4. Drainage construction 5. Traffic diversion and associated electrical and mechanical ("E&M") installations 6. Installation of noise barrier 	Forming roads and connection network and upgrading/forming drainage system for future developments	Low plant cost, mainly labour and material costs

Type of Works	Advantages	Disadvantages	Applications	Limitations	Cost Features
Foundation Works					
General Building Works					
General building	n/a	n/a	<ol style="list-style-type: none"> 1. R.C. construction 2. E & M installations 3. Plumbing and drainage work 4. Cladding and window installations 5. Fitting out works 6. Landscaping works 	Infrastructure construction for residential developments	Low plant cost, mainly labour and material costs
Renovation work	n/a	n/a	<ol style="list-style-type: none"> 1. Renovation of the building 2. E&M installations 3. Plumbing and Drainage 	Renovation and upgrade of existing building structures	Low plant cost, mainly labour and material costs

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of **WHITE, YELLOW** and **GREEN** Application Forms, the written consents referred to under the paragraph headed “E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to under the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Christine M. Koo & Ip of Room 601, 6/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, 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 accountant’s report from World Link CPA Limited in respect of the historical financial information for FY2012, FY2013 and FY2014, the text of which is set out in Appendix I to this prospectus;
- (c) the report from World Link CPA Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the Companies Law;
- (e) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the material contracts referred to in the paragraph headed “B. Further Information about our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (g) the service agreements referred to in the paragraph headed “C. Further information about substantial Shareholders, Directors and experts — 2. Particulars of service agreements” in Appendix IV to this prospectus;
- (h) the rules of the Share Option Scheme;

- (i) the written consents referred to in the paragraph headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus;
- (j) the legal opinion prepared by Leong Hon Man Law Office, the legal adviser of our Company as to Macau law;
- (k) the legal opinion prepared by Christine M. Koo & Ip, the legal adviser of our Company as to Hong Kong law;
- (l) the legal opinion prepared by Mr. Lincoln Cheung and Ms. Anna M. W. Chow, barristers-at-law in Hong Kong; and
- (m) the IPSOS Report.

